

MAY 14 1992

IN THE
Supreme Court of the United States OF THE CLERK
OCTOBER TERM, 1992

PROFESSIONAL REAL ESTATE INVESTORS, INC.,
and KENNETH F. IRWIN,
Petitioners,

v.

COLUMBIA PICTURES INDUSTRIES, INC.,
EMBASSY PICTURES,
PARAMOUNT PICTURES CORPORATION,
TWENTIETH CENTURY-FOX FILM CORPORATION,
UNIVERSAL CITY STUDIOS, INC.,
WALT DISNEY PRODUCTIONS,
WARNER BROS., INC., and
CBS, INC.,
Respondents.

On Writ Of Certiorari To The United States Court of
Appeals For The Ninth Circuit

JOINT APPENDIX
VOLUME I OF II

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1992

No. 91-1043

PROFESSIONAL REAL ESTATE INVESTORS, INC.,
and KENNETH F. IRWIN,
Petitioners,

v.

COLUMBIA PICTURES INDUSTRIES, INC.,
EMBASSY PICTURES,
PARAMOUNT PICTURES CORPORATION,
TWENTIETH CENTURY-FOX FILM CORPORATION,
UNIVERSAL CITY STUDIOS, INC.,
WALT DISNEY PRODUCTIONS,
WARNER BROS., INC., and
CBS, INC.,
Respondents.

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No: 83 2594

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware corporation; EMBASSY PICTURES, a joint venture; PARAMOUNT PICTURES CORPORATION, a Delaware corporation; TWENTIETH CENTURY-FOX FILM CORPORATION, a Delaware corporation; UNIVERSAL CITY STUDIOS, INC., a Delaware corporation; WALT DISNEY PRODUCTIONS, a California corporation; WARNER BROS. INC., a Delaware corporation; CBS Inc., a New York corporation,

Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., a California corporation dba MANCHA PRIVATE CLUB AND VILLAS, KENNETH F. IRWIN AND ERLAND KYLLONEN,

Defendants.

FILED

APR 25 1983

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
DEPUTY

COMPLAINT FOR INFRINGEMENT OF COPYRIGHTS

Plaintiffs allege:

INTRODUCTORY ALLEGATIONS

1. This action and each of the seventy-four claims hereof arise under the copyright laws of the United States (Title 17, United States Code). Jurisdiction is conferred upon this Court by 28 U.S.C. §1338(a). Venue lies in this district under 28 U.S.C. §1400(a).

2. Plaintiff Columbia Pictures Industries, Inc. ("plaintiff Columbia") is a corporation duly incorporated under the laws of the State of Delaware.

3. Plaintiff Embassy Pictures ("plaintiff Embassy") is a joint venture between Lear Productions, Inc. and Perenchio Pictures, Inc. organized under the laws of the State of California.

4. Plaintiff Paramount Pictures Corporation ("plaintiff Paramount") is a corporation duly incorporated under the laws of the State of Delaware.

5. Plaintiff Twentieth Century-Fox Film Corporation ("plaintiff Fox") is a corporation duly incorporated under the laws of the State of Delaware.

6. Plaintiff Universal City Studios, Inc. ("plaintiff Universal") is a corporation duly incorporated under the laws of the State of Delaware.

7. Plaintiff Walt Disney Productions ("plaintiff Disney") is a corporation duly incorporated under the laws of the State of Delaware.

8. Plaintiff Warner Bros. Inc. ("plaintiff Warner") is a corporation duly incorporated under the laws of the State of Delaware.

9. Plaintiff CBS Inc. ("plaintiff CBS") is a corporation duly incorporated under the laws of the State of New York.

10. Plaintiffs are informed and believe and, upon such information and belief, allege that at all times material

hereto, defendants Kenneth F. Irwin and Erland Kyllonen, and Professional Real Estate Investors, Inc., a California corporation doing business as La Mancha Private Club and Villas ("La Mancha") at 444 Avenita Caballeros, Palm Springs, California, 92262 were, and now are, residents of Palm Springs, California with their principal place of business in the Central District.

11. Defendants were and are operating La Mancha as a holiday resort open to the public. La Mancha seeks to attract customers from the general public by advertising its facilities, extensively in local and national publications. Several of said advertisements highlight the availability of plaintiffs' copyrighted motion pictures for public performance. Certain customer facilities, such as villas, are equipped with videodisc players and widescreen projection systems. For a fee customers order discs of plaintiffs' copyrighted motion pictures which are publicly performed without authorization or permission from plaintiffs.

12. Each claim asserted herein arose out of the same transaction, occurrence, or series of transactions or occurrences, and there are questions of law and fact common to all plaintiffs which will arise in this action. Accordingly, the convenient administration of justice will be served by the joinder of the claims set forth below, as the likelihood of a multiplicity of actions will be reduced.

13. Plaintiffs are the copyright owners, co-owners or exclusive licensees of exhibition, distribution and other rights to the motion pictures which are the subject of this proceeding, and hold, as owners or assignees or exclusive licensees, the right to prosecute in their own names claims relating to the infringement of copyrights of said motion pictures.

14. Plaintiffs' copyrighted motion pictures are licensed for exhibition at motion picture theatres by means of 35mm prints. Plaintiffs also license their copyrighted motion pictures for public performance to television networks and

stations, pay cable entities, and other entities such as hotels, by means of prints, cassettes or discs. In recent years, advances in electronic technology have led to the production of playback devices by means of which cassettes or discs of motion pictures may be performed on television screens. Plaintiffs have authorized designated affiliates or independent firms to make a limited number of video discs of certain of plaintiffs' copyrighted motion pictures which are sold or licensed. The video discs contain, among other things, copyright notices, and warnings which appear either before or after the motion picture advising the viewer that the film is protected by the copyright laws, that copying the film is illegal, and that exhibition is restricted by law to home use only.

15. Each of the motion pictures whose titles are set forth in Column number 2 (all references to Columns are to Columns in Schedule I annexed hereto and made a part hereof) contain a large amount of material which is wholly original and which is copyrightable subject matter under the laws of the United States.

16. For each claim, on or about the date set forth in Column number 4, the copyright holders as set forth in Column number 3, including predecessors in interest, if any, complied in all respects with Title 17, United States Code, and all other laws governing copyright, and secured the exclusive rights and privileges in and to the copyright of said motion pictures and received from the Register of Copyrights a Certificate of Copyright Registration, identified as set forth in Column number 5.

17. At all times mentioned herein, plaintiffs have been and still are the owners for the United States of, among other things, exclusive rights to distribute and to perform publicly under the copyright laws all of the motion pictures which are the subject of this proceeding, and which are set forth in column 2.

18. Within the three year period prior to the filing of this civil action, defendants did infringe plaintiffs' copyrights by publicly performing and causing to be publicly performed plaintiffs' copyrighted motion pictures on defendants' premises, without a license from plaintiffs, and defendants threaten to continue such infringing public performances after notice from plaintiffs that such performances constitute infringing acts.

19. The wrongful acts of defendants have caused and are causing great injury and damage to plaintiffs, and unless this Court restrains the defendants from the further commission of said acts, plaintiffs will suffer irreparable injury, for which plaintiffs have no adequate remedy at law.

**CLAIMS 1 THROUGH 7
(Plaintiff Columbia Against Defendants
for Copyright Infringement)**

20. Plaintiff Columbia incorporates by this reference the allegations set forth in Paragraphs 1, 2 and 10 through 19 above, as though the same were set forth in full at this point.

21. Plaintiff Columbia is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff Columbia, and have publicly exhibited such motion pictures.

22. Plaintiff Columbia is informed and believes, and, upon such information and belief, alleges that defendants have infringed plaintiff Columbia's copyrights by publicly performing and causing to be publicly performed, among others, the motion pictures listed on Schedule I at claims 1 through 7, within the three years last past. The video discs of the motion pictures unlawfully performed by

defendants were acquired by them in a manner and from persons unknown to plaintiff Columbia.

23. Plaintiff Columbia has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Columbia's copyrights. Plaintiff Columbia has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff Columbia is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Columbia's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Columbia's copyrights, all to plaintiff Columbia's irreparable injury.

24. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

25. Each exhibition of Columbia's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff Columbia has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIMS 8 THROUGH 15
(Plaintiff Embassy Against Defendants
for Copyright Infringement)

26. Plaintiff Embassy incorporates by this reference the allegations set forth in Paragraphs 1, 3 and 10 through 19 above, as though the same were set forth in full at this point.

27. Plaintiff Embassy is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff Embassy, and have publicly exhibited such motion pictures.

28. Plaintiff Embassy is informed and believes, and, upon such information and belief, alleges that defendants have infringed plaintiff Embassy's copyrights by publicly performing and causing to be publicly performed, among others, the motion pictures listed on Schedule I at claims 8 through 15, within the three years last past. The video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff Embassy.

29. Plaintiff Embassy has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Embassy's copyrights. Plaintiff Embassy has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff Embassy is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Embassy's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Embassy's copyrights, all to plaintiff Embassy's irreparable injury.

30. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

31. Each exhibition of Embassy's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff Embassy has sustained, and will

continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIMS 16 THROUGH 42
(Plaintiff Paramount Against Defendants
for Copyright Infringement)

32. Plaintiff Paramount incorporates by this reference the allegations set forth in Paragraphs 1, 4 and 10 through 19 above, as though the same were set forth in full at this point.

33. Plaintiff Paramount is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff Paramount, and have publicly exhibited such motion pictures.

34. Plaintiff Paramount is informed and believes, and, upon such information and belief, alleges that defendants have infringed plaintiff Paramount's copyrights by publicly performing and causing to be publicly performed, among others, the motion pictures listed on Schedule I at claims 16 through 42, within the three years last past. The video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff Paramount.

35. Plaintiff Paramount has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Paramount's copyrights. Plaintiff Paramount has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities.

Defendants have refused. Plaintiff Paramount is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Paramount's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Paramount's copyrights, all to plaintiff Paramount's irreparable injury.

36. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

37. Each exhibition of Paramount's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff Paramount has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIMS 43 THROUGH 50
(Plaintiff Fox Against Defendants
for Copyright Infringement)

38. Plaintiff Fox incorporates by this reference the allegations set forth in Paragraphs 1, 5 and 10 through 19 above, as though the same were set forth in full at this point.

39. Plaintiff Fox is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff Fox, and have publicly exhibited such motion pictures.

40. Plaintiff Fox is informed and believes, and, upon such information and belief, alleges that defendants have

infringed plaintiff Fox's copyrights by publicly performing and causing to be publicly performed, amount others, the motion pictures listed on Schedule I at claims 43 through 50, within the three years last past. the video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff Fox.

41. Plaintiff Fox has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Fox's copyrights. Plaintiff Fox has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff Fox is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Fox's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Fox's copyrights, all to plaintiff Fox's irreparable injury.

42. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

43. Each exhibition of Fox's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff Fox has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIMS 51 THROUGH 55
(Plaintiff Universal Against Defendants
for Copyright Infringement)

44. Plaintiff Universal incorporates by this reference the allegations set forth in Paragraphs 1, 6 and 10 through

19 above, as though the same were set forth in full at this point.

45. Plaintiff Universal is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff Universal, and have publicly exhibited such motion pictures.

46. Plaintiff Universal is informed and believes, and, upon such information and belief, alleges that defendants have infringed plaintiff Universal's copyrights by publicly performing and causing to be publicly performed, among others, the motion pictures listed on Schedule I at claims 51 through 55, within the three years last past. The video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff Universal.

47. Plaintiff Universal has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Universal's copyrights. Plaintiff Universal has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff Universal is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Universal's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Universal's copyrights, all to plaintiff Universal's irreparable injury.

48. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

49. Each exhibition of Universal's motion pictures, as well as the threat and offering to continue the same, con-

stitutes a separate claims against defendants under the Copyright Act. Plaintiff Universal has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIMS 56 THROUGH 65
(Plaintiff Disney Against Defendants
for Copyright Infringement)

50. Plaintiff Disney incorporates by this reference the allegations set forth in Paragraphs 1, 7 and 10 through 19 above, as though the same were set forth in full at this point.

51. Plaintiff Disney is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute, and to perform publicly are owned by plaintiff Disney, and have publicly exhibited such motion pictures.

52. Plaintiff Disney is informed and believes, and, upon such information and belief, alleges that defendants have infringed plaintiff Disney's copyrights by publicly performing and causing to be publicly performed, among others, the motion pictures listed on Schedule I at claims 56 through 65, within the three years last past. The video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff Disney.

53. Plaintiff Disney has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Disney's copyrights. Plaintiff Disney has given defendants notice that they are infringing

plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff Disney is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Disney's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Disney's copyrights, all to plaintiff Disney's irreparable injury.

54. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

55. Each exhibition of Disney's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff Disney has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIMS 66 THROUGH 73
(Plaintiff Warner Against Defendants
for Copyright Infringement)

56. Plaintiff Warner incorporates by this reference the allegations set forth in Paragraphs 1, 8 and 10 through 19 above, as though the same were set forth in full at this point.

57. Plaintiff Warner is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff Warner, and have publicly exhibited such motion pictures.

58. Plaintiff Warner is informed and believes, and, upon such information and belief, alleges that defendants have

infringed plaintiff Warner's copyrights by publicly performing and causing to be publicly performed, among others, the motion pictures listed on Schedule I at claims 66 through 73, within the three years last past. The video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff Warner.

59. Plaintiff Warner has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff Warner's copyrights. Plaintiff Warner has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff Warner is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe Warner's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe Warner's copyrights, all to plaintiff Warner's irreparable injury.

60. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

61. Each exhibition of Warner's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff Warner has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

CLAIM 74
(Plaintiff CBS Against
Defendants for Copyright Infringement)

62. Plaintiff CBS incorporates by this reference the allegations set forth in Paragraphs 1, 9 and 10 through 19 above, as though the same were set forth in full at this point.

63. Plaintiff CBS is informed and believes, and, based upon such information and belief, alleges that defendants have from time to time within the three years last past acquired possession of videodiscs of feature motion pictures, of which the exclusive rights to distribute and to perform publicly are owned by plaintiff CBS, and have publicly exhibited such motion pictures.

64. Plaintiff CBS is informed and believes, and, upon such information and belief, alleges that defendants have infringed plaintiff CBS's copyrights by publicly performing and causing to be publicly performed, among others, the motion picture listed on Schedule I at claim 74, within the three years last past. The video discs of the motion pictures unlawfully performed by defendants were acquired by them in a manner and from persons unknown to plaintiff CBS.

65. Plaintiff CBS has never authorized defendants, by license or otherwise, to publicly perform any of its motion pictures. Defendants' acts, as hereinabove alleged, are an infringement of plaintiff CBS's copyrights. Plaintiff CBS has given defendants notice that they are infringing plaintiff's copyrights and demanded that defendants cease and desist their infringing activities. Defendants have refused. Plaintiff CBS is informed and believes, and, upon such information and belief, alleges that defendants have continued to infringe CBS's copyrights, and unless temporarily, preliminarily and permanently enjoined by order of this Court will continue to infringe CBS's copyrights, all to plaintiff CBS's irreparable injury.

66. Defendants have committed all the aforesaid acts of infringement deliberately and willfully.

67. Each exhibition of CBS's motion pictures, as well as the threat and offering to continue the same, constitutes a separate claim against defendants under the Copyright Act. Plaintiff CBS has sustained, and will continue to sustain, substantial injuries, loss and damage to its ownership rights, exclusive distribution rights, and copyrights of said motion pictures, and further has and will sustain damages from the loss of value of the exclusive rights thereunder by reason of defendants' conduct.

WHEREFORE, plaintiffs pray for judgment as follows:

A. That the defendants be enjoined, preliminarily during the pendency of this action, and perpetually thereafter, from directly or indirectly copying, duplicating, supplying for exhibition, exhibiting and performing, by the use of any positive prints, negatives, video masters, videodiscs or videotapes the copyrighted motion pictures owned, sold or leased by plaintiffs, including in the foregoing, any transcription or recording of the copyrighted motion pictures by or from which, in whole or in part, it may in any manner, or by any method, be exhibited, performed, represented, produced or reproduced, and from concealing, destroying, tampering with, dealing in or disposing of any positive prints or negatives, transcriptions or recordings, video masters, videodiscs or videotape cassettes, in any manner without authority under the respective copyrights, and from in any manner infringing or contributing to or participating in the infringement by others of any of the copyrights in said motion pictures, and from acting in concert with, aiding and abetting others to infringe any of said copyrights in any way.

B. That defendants be required to account for and pay over to each plaintiff either (i) the actual damages suffered by each plaintiff as a result of the infringements of its copyrights, and any profits that are not taken into account

in computing actual damages, or (ii) statutory damages of \$10,000 for each copyright for all infringements with respect to that copyright, at each plaintiff's election. If any plaintiff elects statutory damages, and the Court finds that infringement was committed willfully, damages of \$50,000 for each copyright for all willful infringements with respect to that title.

C. That defendants preliminarily, during the pendency of this action, and permanently thereafter, be enjoined from publicly performing any motion pictures of which the plaintiff are or become the copyrights owners.

D. That plaintiffs recover judgment for damages in such amount as is proved at the trial hereof.

E. That plaintiffs recover reasonable attorneys' fees and costs of suit incurred herein; and

F. That plaintiffs have such other and further relief as to this Court seems just and proper.

DATED: April 25, 1983.

SCHEDULE I

1	2	3	4	5	6
CLAIM NO.	TITLE	COPYRIGHT HOLDERS	DATE OF PUBLICATION	COPYRIGHT NO.	OWNERS, ASSIGNEES OR EXCLUSIVE LICENSEES OF UNITED STATES' PUBLIC PERFORMING RIGHTS

1	ABSENCE OF MALICE	Columbia Pictures Industries, Inc.	11/19/71	LP 39154	Columbia Pictures
2	CHINA SYNDROME, THE	Columbia Pictures Industries, Inc.	03/16/79	PA 30-789	Columbia Pictures
3	CLOSE ENCOUNTERS OF THE THIRD KIND	Columbia Pictures Industries, Inc.	11/16/82	LP 50006	Columbia Pictures
4	DEEP, THE	Columbia Pictures Industries, Inc.	06/17/77	LP 47876	Columbia Pictures
5	EYES OF LAURA MARS	Columbia Pictures Industries, Inc.	08/02/78	PA 16-190	Columbia Pictures

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6	KRAMER VERSUS KRAMER	Columbia Pictures Industries, Inc.	12/19/79	PA 53-409	Columbia Pictures
7	USED CARS	Columbia Pictures Industries, Inc.	12/12/80	PA 90-751	Columbia Pictures
8	CARNAL KNOWLEDGE	Avco Embassy Pictures Corp. & Icarus Productions	06/30/71	LP 40121	Embassy Pictures
9	JOHN CARPENTER'S ESCAPE FROM NEW YORK	Avco Embassy Pictures Corporation	05/01/82	PA 110-942	Embassy Pictures
10	FAREWELL MY LOVELY	The EK Corporation	08/13/75	LP 50142	Embassy Pictures
11	FOG, THE	Avco-Embassy Pictures Corporation	01/14/80	PA 61-242	Embassy Pictures
12	GRADUATE, THE	Embassy a.d.o. Embassy Pictures Corp. & Lawrence Turnan, Inc.	12/20/67	LP 40200	Embassy Pictures
13	IN PRAISE OF OLDER WOMEN	R.S.L. Productions, Ltd.	09/22/78	PA 33-216	Embassy Pictures

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SCHEDULE I

1	2	3	4	5	6
CLAIM NOS.	TITLE	COPYRIGHT HOLDERS	DATE OF PUBLICATION	COPYRIGHT NO.	DISTRIBUTORS
14	PRODUCERS, THE	Embassy Pictures Corporation	11/15/67	LP 42370	Embassy Pictures
15	WATERSHIP DOWN	Watership Productions, Ltd.	10/14/78	PA 25-129	Embassy Pictures
16	AMERICAN GIGOLO	Pierre Associates	01/30/80	PA 70-187	Paramount Pictures
17	BAD NEWS BEARS, THE	Paramount Pictures Corporation	03/26/76	LP 46363	Paramount Pictures Corporation
18	BARBARELLA	Dino De Laurentis Cinemografica, S.P.A.	01/04/68	LF 29	Paramount Pictures Corporation
19	CHINATOWN	Long Road Productions	06/20/74	LP 43628	Paramount Pictures Corporation
20	DEATH WISH	Dino De Laurentiis	07/17/74	LP 43733	Paramount Pictures Corporation

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21	ELEPHANT MAN	Brooksfilms, Ltd.	09/22/80	PA94-239	Paramount Pictures Corporation
22	GODFATHER, THE	Paramount Pictures Corporation	02/23/72	LP 40553	Paramount Pictures Corporation
23	GREASE	Paramount Pictures Corporation	12/31/77	PA 16-189	Paramount Pictures Corporation
24	GREATEST SHOW ON EARTH, THE	Paramount Pictures Corporation	04/01/52 Renewal 04/01/80	LP 1842 RE 55-807	Paramount Pictures Corporation
25	HAROLD AND MAUDE	Paramount Pictures Corporation & Lewis & Colin Higgins Productions	12/31/71	LP 40312	Paramount Pictures Corporation
26	KING KONG	Dino De Laurentiis Corporation	11/29/76	LP 47147	Paramount Pictures Corporation

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SCHEDULE I

1 CLAIM NOS.	2 TITLE	3 COPYRIGHT HOLDERS	4 DATE OF PUBLICATION	5 COPYRIGHT NO.	6 DISTRIBUTORS
27	LADY SINGS THE BLUES, THE	Jobete Music Co., Inc., Motown Productions, Weston Associates, Inc. & Furie Productions, Inc.	10/06/72	LP 41419	Paramount Pictures Corporation
28	LOOKING FOR MR. GOODBAR	Paramount Pictures Corporation	10/11/77	LP 49668	Paramount Pictures Corporation
29	ODD COUPLE, THE	Paramount Pictures Corporation	05/02/68	LP 36430	Paramount Pictures Corporation
30	ROMEO AND JULIET	Paramount Pictures Corporation	03/04/68	LF 27	Paramount Pictures Corporation
31	SATURDAY NIGHT FEVER	Paramount Pictures Corporation	10/28/77	LP 50391	Paramount Pictures Corporation

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32	SHANE	Paramount Pictures Corporation	05/27/53 Renewal 06/25/80	LP 2892 RE 62-117	Paramount Pictures Corporation
33	SHOOTIST, THE	Dino De Laurentiis Corporation	07/12/76	LP 47142	Paramount Pictures Corporation
34	SOME KIND OF HERO	Paramount Pictures Corporation	03/19/82	PA 141-419	Paramount Pictures Corporation
35	STALAG 17	Paramount Pictures Corporation	07/01/53 Renewal 06/25/80	LP 2894 RE 62-118	Paramount Pictures Corporation
36	STAR TREK, THE MOTION PICTURE	Century Associates	12/06/79	PA 58-633	Paramount Pictures Corporation
37	STAR TREK 75 Episodes	Paramount Pictures Corporation and Norway Corporation	1967/1978		Paramount Pictures Corporation and Norway Corporation
38	STARTING OVER	Paramount Pictures Corporation	09/21/79	PA 61-640	Paramount Pictures Corporation

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SCHEDULE I

1 CLAIM NOS.	2 TITLE	3 COPYRIGHT HOLDERS	4 DATE OF PUBLICATION	5 COPYRIGHT NO.	6 DISTRIBUTORS
39	SUNSET BOULEVARD	Paramount Pictures Corporation	08/04/50 Renewal 09/09/77	LP 260 R 671460	Paramount Pictures Corporation
40	UP IN SMOKE	Paramount Pictures Corporation	08/29/78	PA 25-130	Paramount Pictures Corporation
41	URBAN COWBOY	Cowboy Associated	05/23/80	PA 85-538	Paramount Pictures Corporation
42	WAR OF THE WORLDS	Paramount Pictures Corp.	10/01/53 Renewal 08/26/80	LP 3999 RE 68-954	Paramount Pictures Corporation
43	BUTCH CASSIDY AND THE SUNDANCE KID	Twentieth Century-Fox Film Corporation	09/23/69	LP 28925	Twentieth Century-Fox Film Corporation
44	FRENCH CONNECTION, THE	Twentieth Century-Fox Film Corporation	10/07/71	LP 40443	Twentieth Century-Fox Film Corporation

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45	HELLO DOLLY	Twentieth Century-Fox Film Corporation	12/18/69	LP 3818	Twentieth Century-Fox Film Corporation
46	MASH	Aspen Productions, Inc. & Twentieth Century-Fox Film Corporation	12/30/69	LP 37644	Twentieth Century-Fox Film Corporation
47	PATTON	Twentieth Century-Fox Film Corporation	12/30/69	LP 38179	Twentieth Century-Fox Film Corporation
48	STAGECOACH	Walter Wanger Productions, Inc.	02/20/39 Renewal 01/25/67	LP 8662 R 402779	Twentieth Century-Fox Film Corporation
49	THREE MUSKETEERS, THE	Twentieth Century-Fox Film Corp.	02/17/39 Renewal 12/03/62	LP 87528 R 305996	Twentieth Century-Fox Film Corporation
50	TORA! TORA! TORA!	Twentieth Century-Fox Film Corporation	09/30/70	LP 38329	Twentieth Century-Fox Film Corporation
51	AMERICAN WEREWOLF IN LONDON, AN	American Werewolf, Inc.	08/21/81	PA 120-391	Universal City Studios, Inc.

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SCHEDULE I

1 CLAIM NOS.	2 TITLE	3 COPYRIGHT HOLDERS	4 DATE OF PUBLICATION	5 COPYRIGHT NO.	6 DISTRIBUTORS
52	ENDLESS LOVE	Polygram Pictures, Ltd.	07/08/81	PA 110-524	Universal City Studios, Inc.
53	GREAT MUPPET CAPER, THE	ITC Entertainment Limited	06/18/81	PA 142-978	Universal City Studios, Inc.
54	JAZZ SINGER, THE	EMI Films, Inc.	12/14/80	PA 103-242	Universal City Studios, Inc.
55	JOHN CARPENTER'S THE THING	Universal City Studios, Inc.	06/11/82	PA 145-007	Universal City Studios, Inc.
56	ABSENT- MINDED PROFESSOR, THE	Walt Disney Productions	12/20/60	LP 18401	Buena Vista Distribution Co., Inc.
57	APPLE DUMPLING GANG, THE	Walt Disney Productions	07/08/73	LP 44785	Buena Vista Distribution Co., Inc.

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58	BEARS AND I, THE	Walt Disney Productions	07/30/74	LP 43779	Buena Vista Distribution Co., Inc.
59	CANDLESHOE	Walt Disney Productions	02/08/78	PA 40-731	Buena Vista Distribution Co., Inc.
60	GREAT LOCOMOTIVE CHASE, THE	Walt Disney Productions	04/17/56	LP 8886	Buena Vista Distribution Co., Inc.
61	GUS	Walt Disney Productions	06/76/76	LP 465531	Buena Vista Distribution Co., Inc.
62	KIDNAPPED!	Walt Disney Productions	02/09/60	LP 15456	Buena Vista Distribution Co., Inc.
63	MARY POPPINS	Walt Disney Productions	08/18/64	LP 28936	Buena Vista Distribution Co., Inc.
64	OLD YELLER	Walt Disney Productions	09/25/57	LP 9422	Buena Vista Distribution Co., Inc.
65	20,000 LEAGUES UNDER THE SEA	Walt Disney Productions	09/23/54 Renewal 08/11/82	LP 4463 RR 123-895	Buena Vista Distribution Co., Inc.

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SCHEDULE I

1 CLAIM NOS.	2 TITLE	3 COPYRIGHT HOLDERS	4 DATE OF PUBLICATION	5 COPYRIGHT NO.	6 DISTRIBUTORS
66	BLAZING SADDLES	Warner Bros, Inc.	02/07/74	LP 43744	Warner Bros, Inc.
67	DIRTY HARRY	Warner Bros, Inc.	12/22/71	LP 41628	Warner Bros, Inc.
68	HAMLET	Electronovision Productions, Inc.	09/23/64	LP 32355	Warner Bros, Inc.
69	IN-LAWS, THE	Warner Bros, Inc.	06/15/79	PA 50-009	Warner Bros, Inc.
70	MOVIE, MOVIE	I.T.C. Film, Inc.	11/22/78	PA 28 980	Warner Bros, Inc.
71	OH, GOD!	Warner Bros, Inc.	10/07/77	PA 1-188	Warner Bros, Inc.
72	PUBLIC ENEMY	Warner Bros, Inc.	04/04/31 Renewal 05/29/58	LP 2194 R 215439	Warner Bros, Inc.

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73	REBEL WITHOUT A CAUSE	Warner Bros, Inc.	10/29/55	LP 7249	Warner Bros, Inc.
74	MY FAIR LADY	CBS Inc.	04/23/64	LP 33509	CBS Inc.

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., et al.,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,
Defendants.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,
Counter-claimants,

v.

COLUMBIA PICTURES INDUSTRIES, INC., et al.,
Counter-defendants.

**ANSWER TO THE COMPLAINT FOR INFRINGEMENT
OF COPYRIGHTS; COUNTERCLAIM FOR VIOLATIONS
OF THE ANTITRUST LAWS; BREACH OF COVENANT
OF GOOD FAITH AND FAIR DEALING; TORTIOUS
BREACH OF COVENANT OF GOOD FAITH AND FAIR
DEALING; AND UNFAIR COMPETITION; AND DEMAND
FOR JURY TRIAL**

Defendants PROFESSIONAL REAL ESTATE INVESTORS, INC., d/b/a LA MANCHA PRIVATE CLUB AND VILLAS ("La Mancha") and Kenneth F. Irwin ("Mr. Irwin"), by their attorneys, answer the complaint as follows:

1. Admit that paragraph 1 of the complaint purports to invoke the statutes cited, but deny any violations of law.

2. Lack knowledge or information sufficient to admit or deny the averments of paragraphs 2, 3, 4, 5, 6, 7, 8, 9, 13, 14, 16 and 17.

3. Admit the averments of paragraph 10 except state that they lack knowledge or information sufficient to admit or deny the allegations concerning defendant Erland Kyllonen.

4. With respect to the averments of paragraph 11, deny that Erland Kyllonen is or since October 1982, has been associated with the operation of La Mancha and/or Mr. Irwin; admit that defendants advertise in local and national publications that videodiscs may be rented by guests at La Mancha, and that some villas are equipped with videodisc players and widescreen projections systems; deny that any other customer facilities are equipped with videodisc players and/or widescreen projection systems; deny that La Mancha customers "order" discs of plaintiffs' copyrighted pictures to the extent that this allegation implies videodiscs are delivered to customers by room service; deny that La Mancha is open to the public; with respect to averments that copyrighted motion pictures are publicly performed without authorization or permission from plaintiffs no response is due in that the averment is a conclusion of law; however, to the extent this may be deemed an averment of material fact, it is denied; and deny each and every remaining averment of paragraph 11.

5. No response to paragraph 12 is required, inasmuch as it states legal conclusions; however, to the extent this may be deemed an allegation of material fact, it is denied.

6. No answer is due to paragraph 15 inasmuch as it states legal conclusions; however, to the extent paragraph 15 may be deemed to allege material facts, defendants state that they lack knowledge or information sufficient to admit or deny the allegations of paragraph 15.

7. Each and every averment of paragraphs 18, 19, 20, 24, 25, 28, 30, 31, 34, 36, 37, 40, 42, 43, 46, 48, 49, 52, 54, 55, 58, 60, 61, 64, 66 and 67 are specifically denied.

8. Repeat and reaver their answers to the paragraphs referred to in paragraphs 20, 26, 32, 38, 44, 50, 56 and 62.

9. With respect to the averments of paragraphs 21, 27, 33, 39, 45, 51, 57 and 63, admit that defendants have acquired possession of videodiscs of feature motion pictures, but deny these allegations to the extent that they imply any wrongdoing in obtaining possession of the videodiscs; lack knowledge or information sufficient to admit or deny allegations that the plaintiffs named in the aforementioned paragraphs own the exclusive rights to distribute and perform publicly the motion pictures identified in the complaint; no answer is due to the allegations that defendants have publicly exhibited such motion pictures, inasmuch as this allegation is a legal conclusion; however, to the extent that these allegations may be deemed an allegation of material fact, they are denied; and deny each and every remaining averment of the aforementioned paragraphs.

10. With respect to the averments of paragraphs 23, 29, 35, 41, 47, 53, 59 and 65, admit that plaintiffs have never authorized defendants to perform publicly any motion picture but deny these allegations to the extent that they imply defendants publicly performed any motion picture or need plaintiffs' authorization; admit that plaintiffs have given defendants notice of their allegation of infringement, but deny any violations of law; and deny each and every remaining averment of the aforementioned paragraphs.

11. Defendants deny each and every allegation not specifically identified above.

AFFIRMATIVE DEFENSES

First Affirmative Defense (Laches and Estoppel)

12. Plaintiffs are not entitled to maintain this suit or allege infringement of copyrights by defendants by reason of laches and estoppel. Defendants, as well as numerous other retailers of videodiscs, have openly and continuously rented videodiscs for private viewing in homes or rented accommodations. Prior to this suit, plaintiffs made no attempt to obtain a judicial determination of the alleged infringement of their exclusive rights of public performance by defendants or in any of the many businesses operating similar videodisc rental programs.

13. Defendants have relied to their detriment upon plaintiffs' delay and acquiescence and have continued their rentals of videodiscs. For these reasons, plaintiffs are barred by principles of estoppel and laches from alleging that any acts of defendants now constitute an infringement of plaintiffs' copyrights.

Second Affirmative Defense (Misuse of Copyright and Unclean Hands)

14. Plaintiffs have alleged in their complaint that they are the copyright owners, co-owners or exclusive licensees of exhibition, distribution and other rights in motion pictures identified in the complaint. Such rights include exclusive rights to perform or to authorize performance of the copyrighted motion pictures publicly. 17 U.S.C. § 106.

15. Defendants' exclusive rights to perform publicly the motion pictures that are the subject of this suit are limited by the "first sale" doctrine, which is codified at 17 U.S.C. § 109(a). One who purchases a videodisc of a copyrighted motion picture is entitled to dispose of it by sale, rental or any other means. *Id.*

16. The result of plaintiffs' asserted right to prevent purchasers of videodiscs from renting them for private

viewing at home or in rented accommodations would be to extend plaintiffs' copyrights beyond their proper scope or to enlarge the copyright monopoly so as to embrace features not covered by the copyright.

17. As a result of their attempts improperly to enlarge their copyright monopoly, plaintiffs have misused their copyrights and are therefore barred from protesting defendants' conduct.

COUNTERCLAIM

First Counterclaim (Violation of Section 2 of the Sherman Act)

18. This counterclaim is filed pursuant to, and this Court has original jurisdiction of the matters complained of under, 15 U.S.C. §§ 15 and 26. Venue lies under 15 U.S.C. § 22.

19. This Court has ancillary and pendent jurisdiction over counter-claimants' counterclaim. This counterclaim arises from a common nucleus of operative facts with those alleged in support of the federal question claims of plaintiffs' complaint.

20. The alleged unlawful acts and violations described in this counterclaim have been and are, in part, conceived, carried out and made effective within the Central District of California. Plaintiffs performed many of the alleged unlawful acts in this district. The interstate trade and commerce described in this counterclaim is carried out, in part, within this district. The plaintiffs transact business, are licensed to do business and are doing business in this district.

21. Counter-claimant and defendant PROFESSIONAL REAL ESTATE INVESTORS, INC., d/b/a LA MANCHA PRIVATE CLUB AND VILLAS ("La Mancha") is a corporation organized and existing under the laws of the state of Cal-

ifornia, with its principal place of business in Palm Springs, California.

22. Counter-claimant and defendant KENNETH F. IRWIN ("Mr. Irwin") is a resident of Palm Springs, California.

23. Counter-defendant and plaintiff COLUMBIA PICTURES INDUSTRIES, INC. is a corporation duly incorporated under the laws of the State of Delaware.

24. Counter-defendant and plaintiff EMBASSY PICTURES is a joint venture between Lear Productions, Inc. and Perenchio Pictures, Inc., organized under the laws of the State of California.

25. Counter-defendant and plaintiff PARAMOUNT PICTURES CORPORATION is a corporation duly incorporated under the laws of the State of Delaware.

26. Counter-defendant and plaintiff TWENTIETH CENTURY-FOX FILM CORPORATION is a corporation duly incorporated under the laws of the State of Delaware.

27. Counter-defendant and plaintiff UNIVERSAL CITY STUDIOS, INC. is a corporation duly incorporated under the laws of the State of Delaware.

28. Counter-defendant and plaintiff WALT DISNEY PRODUCTIONS is a corporation duly incorporated under the laws of the State of California.

29. Counter-defendant and plaintiff WARNER BROS. INC. is a corporation duly incorporated under the laws of the State of Delaware.

30. Counter-defendant and plaintiff CBS INC. is a corporation duly incorporated under the laws of the State of New York.

31. Various other corporations, companies and individuals not made counter-defendants in this claim participated as co-conspirators with the above counter-defendants in the

offenses alleged herein and performed acts and made statements in furtherance thereof.

32. At all times relevant, plaintiffs and counter-defendants have made substantial sales in interstate commerce, including sales of videodiscs which are the subject of this counterclaim. Plaintiffs' and counter-defendants' alleged activities have affected interstate commerce and the violations alleged herein have affected, burdened and interrupted interstate commerce.

33. Counter-claimants and defendants hereby reallege, as if fully set forth herein, the allegations of their Second Affirmative Defense (paragraphs 14-17, inclusive).

34. Plaintiffs' activities, which are intended to extend or enlarge their copyright monopolies beyond their proper scope, are an attempt to monopolize, restrain and eliminate trade and commerce in retail sale and rental of videodiscs in the United States, the State of California and the Palm Springs Metropolitan area of California, by destroying and restraining the counter-claimants' business and the business of others engaged in renting videodiscs. In furtherance of their attempt to monopolize, restrain and eliminate the relevant trade and commerce, counter-defendants and plaintiffs engaged in and continue to engage in the following activities, among others: the filing of this suit, which is a sham and false and known by plaintiffs to be so; bad faith prosecution of this suit; boycotting and concertedly refusing to grant licenses to defendants to rent videodiscs; and other activities to coerce defendants into acquiescing to plaintiffs' attempts to monopolize, restrain and eliminate the relevant trade and commerce and to destroy counter-claimants' business.

35. Such conduct constitutes an attempt to monopolize, restrain and eliminate the relevant trade and commerce in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

36. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, including attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages, including costs of defense of this suit through trial, will be proved at trial.

37. The acts and practices described above are reasonably likely to continue in the future and to create future injury and damage to defendants and counter-claimants unless restrained by an order of this Court.

Second Counterclaim (Violation of Section 2 of the Sherman Act)

38. Counter-claimants hereby reallege, as if fully set forth herein, the allegations of their Second Affirmative Defense and their First Counterclaim (paragraphs 14 through 37, inclusive).

39. Plaintiffs' activities, which are intended to extend or enlarge their copyright monopolies beyond their proper scope, constitute a conspiracy to monopolize, restrain and eliminate trade and commerce in retail sale and rental of videodiscs in the United States, the State of California and the Palm Springs Metropolitan area of California, by destroying defendants' business. In furtherance of their conspiracy to monopolize, restrain and eliminate the relevant trade and commerce, plaintiffs' engaged in and continue to engage in the following activities, among others: the filing of this suit, which is a sham and false and known by plaintiffs to be so; bad faith prosecution of this suit; boycotting and concertedly refusing to grant licenses to defendants to rent videodiscs; and other activities to coerce defendants and others similarly situated into leaving the business of videodisc rental and into acquiescing to plaintiffs' conspiracy to monopolize, restrain and eliminate

the relevant trade and commerce and to destroy counter-claimants' business.

40. By such conduct, plaintiffs and co-conspirators have contracted, combined and conspired to monopolize the retail sale and rental of videodiscs.

41. Such conduct constitutes a conspiracy to monopolize and is a violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

42. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, including attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages, including costs of defense of this suit through trial, will be proved at trial.

43. The acts and practices described above are reasonably likely to continue in the future and to create future injury and damage to defendants and counter-claimants unless restrained by an order of this Court.

Third Counterclaim (Conspiracy to restrain trade in violation of Section 1 of the Sherman Act)

44. Counter-claimants hereby reallege, as if fully set forth herein, the allegations of their Second Affirmative Defense and their First and Second Counterclaims (paragraphs 14 through 43, inclusive).

45. Plaintiffs and co-conspirators have contracted, combined and conspired to unreasonably restrain and eliminate trade and commerce in the sale and rental of videodiscs in the United States, the State of California and the Palm Springs Metropolitan area of California, by among things, engaging in and continuing to engage in the following activities, among others: the filing of this suit, which is a

sham and false and known by plaintiffs to be so; bad faith prosecution of this suit; boycotting and concertedly refusing to grant licenses to defendants to rent videodiscs; and other activities to coerce defendants into acquiescing to plaintiffs' restraint and elimination of the relevant trade and commerce and to destroy counter-claimants' business in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

46. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, including attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages, including costs of defense of this suit through trial, will be proved at trial.

47. The acts and practices described above are reasonably likely to continue in the future and to create future injury and damage to defendants and counter-claimants unless restrained by an order of this Court.

Fourth Counterclaim (Violation of the Cartwright Act)

48. Counter-claimants and defendants hereby reallege, as if fully set forth herein, the allegations of their Second Affirmative Defense and their First, Second and Third Counterclaims (paragraphs 14 through 47, inclusive).

49. Plaintiffs and counter-defendants, by the conduct alleged herein, have violated the state antitrust laws known as the "Cartwright Act," *Cal. Bus. & Prof. Code*, §§ 16,700, *et seq.*

50. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, in-

cluding attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages, including costs of defense of this suit through trial, will be proved at trial.

51. The acts and practices described above are reasonably likely to continue in the future and to create future injury and damage to defendants and counter-claimants unless restrained by an order of this Court.

Fifth Counterclaim (Breach of the Covenant of Good Faith and Fair Dealing)

52. Counter-claimants hereby reallege, as if fully set forth herein, the allegations of their Second Affirmative Defense and their First, Second, Third and Fourth Counterclaim (paragraphs 14 through 51, inclusive).

53. Plaintiffs have, either directly or through others, sold to or authorized the sale of videodiscs of copyrighted motion pictures to counter-claimants and defendants.

54. Plaintiffs have a duty and an implied covenant of good faith and fair dealing in connection with making or authorizing sales of videodiscs of copyrighted motion pictures. In violation of that duty and implied covenant of good faith and fair dealing, plaintiffs have attempted to restrict the legal rights of counter-claimants and defendants to dispose of the videodiscs of copyrighted motion pictures by sale, rental or any other means. Such bad faith dealings are in violation of plaintiffs' duty and implied covenant of good faith and fair dealing and of *Cal. Com. Code*, § 1203.

55. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, including attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages,

including costs of defense of this suit through trial, will be proved at trial.

Sixth Counterclaim (Tortious Breach of the Covenant of Good Faith and Fair Dealing)

56. Counter-claimants hereby reallege, as if fully set forth herein, the allegations of their Second Affirmative Defense and their First, Second, Third, Fourth and Fifth Counterclaims (paragraphs 14 through 55, inclusive).

57. By the conduct alleged above, plaintiffs and counter-defendants breached an implied covenant of good faith and fair dealing by engaging in bad faith actions extraneous to their agreements with the intention to frustrate counter-claimants and defendants' enjoyment of their rights under their agreements.

58. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, including attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages, including costs of defense of this suit through trial, will be proved at trial.

59. Plaintiffs and counter-defendants engaged in the above acts with malice, fraud and oppression, express and implied, as defined in *Cal. Civ. Code*, § 3294 and counter-claimants, should recover, in addition to actual damages, punitive damages in the amount of at least ten million dollars (\$10,000,000.00) to make an example of and to punish defendants.

60. The acts and practices described above are reasonably likely to continue in the future and to create future injury and damage to defendants and counter-claimants unless restrained by an order of this Court.

Seventh Counterclaim (Unfair Competition)

61. Counter-claimants and defendants hereby reallage, as if fully set forth herein, the allegations of their Second Affirmative Defense and their First, Second, Third, Fourth, Fifth and Sixth Counterclaims (paragraphs 14 through 60, inclusive).

62. Plaintiffs and counter-defendants, due to the conduct alleged above, violated the state unfair competition statute, *Cal. Bus. & Prof. Code*, §§ 17,200, *et seq.*, and the common law of unfair competition.

63. By reason of and as a direct and proximate result of the unlawful conduct alleged herein, defendants and counter-claimants have been damaged in their business and property in that they have had, among other things, to expend substantial sums of money to defend this suit, including attorneys' fees. Counter-claimants do not now know the full extent of their damages. The amount of damages, including costs of defense of this suit through trial, will be proved at trial.

64. By means of unlawful, unfair and fraudulent competition, plaintiffs and counter-defendants have, or may have, made wrongful gains. Counter-claimants do not now know the full extent of these wrongful gains. The amount of such wrongful gains will be proved at trial and counter-claimants and defendants will request the court to order restitution of such amounts to counter-claimants and defendants.

65. Plaintiffs and counter-defendants engaged in the above acts with malice, fraud and oppression, express and implied, as defined in *Cal. Civ. Code*, § 3294 and counter-claimants, should recover, in addition to actual damages, punitive damages in the amount of at least ten million dollars (\$10,000,000.00) to make an example of and to punish defendants.

66. The acts and practices described above are reasonably likely to continue in the future and to create future

injury and damages to defendants and counter-claimants unless restrained by an order of this Court.

PRAYER

WHEREFORE, counter-claimants and defendants pray:

A. That the court adjudge and decree that plaintiffs' actions described in counter-claimants' First Counterclaim constitute an attempt to monopolize in violation of Section 2 of the Sherman Act; that the actual damages to the business and property of counter-claimants resulting therefrom be determined, trebled and recovered, together with attorneys' fees;

B. that the court issue an injunction restraining perpetually the plaintiffs, their successors or assigns, officers, directors, agents, employees and persons acting for or on their behalf from continuing the unlawful effects of such an attempt to monopolize;

C. that the court adjudge and decree that plaintiffs' actions described in counter-claimants' Second Counterclaim constitute a conspiracy to monopolize in violation of Section 2 of the Sherman Act; that the actual damages to the business and property of counter-claimants proximately resulting therefrom be determined, trebled and recovered, together with attorneys fees;

D. that the court issue an injunction restraining perpetually the plaintiffs, their successors or assigns, officers, directors, agents, employees and persons acting for or on their behalf from continuing the unlawful effects of such a conspiracy to monopolize;

E. that the court adjudge and decree that plaintiffs' actions described in counter-claimants' Third Counterclaim constitute a contract, combination or conspiracy in restraint of trade in violation of Section 1 of the Sherman Act; that the actual damages to the business and property

of counter-claimants proximately resulting therefrom be determined, trebled and recovered, together with attorneys fees;

F. that the court issue an injunction restraining perpetually the plaintiffs, their successors or assigns, officers, directors, agents, employees and persons acting for or on their behalf from continuing the unlawful effects of such restraint of trade;

G. that the court adjudge and decree that plaintiffs' actions described in counter-claimants' Fourth Counterclaim constitute a violation of the Cartwright Act; that the actual damages to the business and property of counter-claimants proximately resulting therefrom be determined, trebled and recovered, together with attorneys fees;

H. that the court issue an injunction restraining perpetually the plaintiffs, their successors or assigns, officers, directors, agents, employees and persons acting for or on their behalf from continuing the unlawful effects of such a violation of the Cartwright Act;

I. that the damages sustained by defendants in defending this suit, including attorneys fees, be calculated and that plaintiff be ordered to pay three times the amount of damages so calculated together with appropriate interest;

J. that the court adjudge and decree that plaintiffs' actions described in counter-claimants' Fifth Counterclaim constitute a breach of the covenant of good faith and fair dealing; that the actual amount of damages to counter-claimants' proximately resulting therefrom be determined;

K. that the court adjudge and decree that plaintiffs' actions described in counter-claimants' Sixth Counterclaim constitute a tortious breach of the covenant of good faith and fair dealing; that the actual amount of damages to counter-claimants' proximately resulting therefrom be determined;

L. that the court adjudge and decree that plaintiffs be required to pay to counter-claimants at least ten million dollars (\$10,000,000.00) as punitive and exemplary damages for plaintiffs' tortious breach of the covenant of good faith and fair dealing;

M. that the court issue an injunction restraining perpetually the plaintiffs, their successors or assigns, officers, directors, agents, employees and persons acting for or on their behalf from continuing the unlawful effects of such a tortious breach of the covenant of good faith and fair dealing;

N. that the court adjudge and decree that plaintiffs' actions described in counter-claimants' Seventh Counterclaim constitute a violation of *Cal. Bus. & Prof. Code*, §§ 17,200, *et seq.* and the common law of unfair competition; that the actual amount of damages to counter-claimants proximately resulting therefrom be determined and restored to counter-claimants;

O. that the court order restitution to counter-claimants and defendants of plaintiffs' and counter-defendants' wrongful gains which were, or which may have been, acquired by means of their unfair, unlawful and illegal competition

P. that the court adjudge and decree that plaintiffs be required to pay to counter-claimants at least ten million dollars (\$10,000,000.00) as punitive and exemplary damages for plaintiffs' violation of *Cal. Bus. & Prof. Code*, §§ 17,200, *et seq.* and the common law of unfair competition;

Q. that the court issue an injunction restraining perpetually the plaintiffs, their successors or assigns, officers, directors, agents, employees and persons acting for or on their behalf from continuing the unlawful effects of such a violation of *Cal. Bus. & Prof. Code*, §§ 17,200, *et seq.* and the common law of unfair competition; and

R. that the court grant such additional relief as it deems just.

Dated: February 9, 1984.

Jeffrey W. King
COLLIER, SHANNON, RILL & SCOTT

Michael J. Dennis
Laura J. Barns
MICHAEL J. DENNIS LAW CORPORATION

By /s/ Laura J. Barns
Laura J. Barns
Attorneys for Defendants and
Counter-claimants La Mancha
and Kenneth F. Irwin

DEMAND FOR JURY TRIAL

Pursuant to Rule 38, Federal Rules of Civil Procedure, and Local Rule 3.4.10.1, defendants and counter-claimants hereby demand trial by jury of all issues triable of right by jury in the above-entitled action.

Dated: February 9, 1984.

Jeffrey W. King
COLLIER, SHANNON, RILL & SCOTT

Michael J. Dennis
Laura J. Barns
MICHAEL J. DENNIS LAW CORPORATION

By /s/ Laura J. Barns
Laura J. Barns
Attorneys for Defendants and
Counter-claimants La Mancha
and Kenneth F. Irwin

[Certificate of Service omitted in this printing]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No: 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIM

AUG 29 1984

REPLY TO COUNTERCLAIMS

Plaintiff and counterdefendant Columbia Pictures Industries, Inc. ("plaintiff") answers the counterclaims of defendants Professional Real Estate Investors, Inc., and Kenneth F. Irwin as follows:

1. In the event that any of the allegations denominated "affirmative defenses" at paragraphs 14, 15, 16 or 17, and incorporated by reference at paragraphs 33, 38, 44, 48, 52, 56 and 61, of defendant's pleading herein should, pursuant to Federal Rule of Civil Procedure 8(c) be treated at any time as counterclaims, rather than affirmative defenses, plaintiff denies each and all of the allegations contained in paragraphs 14, 15, 16 and 17.

2. Answering paragraph 18, plaintiff denies each and all of the allegations contained therein.

3. Answering paragraph 19, plaintiff denies each and all of the allegations contained therein.

4. Answering paragraph 20, plaintiff admits that it transacts business, is licensed to do business and is doing business in the Central District of California. Except as specifically admitted, plaintiff denies each and all of the allegations of paragraph 20.

5. Plaintiff admits the allegations of paragraphs 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30.

6. Answering paragraph 31, plaintiff denies each and all of the allegations contained therein.

7. Answering paragraph 32, plaintiff denies each and all of the allegations contained therein.

8. Answering paragraph 33, plaintiff denies each and all of the allegations contained therein and incorporated therein by reference.

9. Answering paragraphs 34, 35, 36 and 37, plaintiff denies each and all of the allegations contained therein.

10. Answering paragraph 38, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 37 and they are incorporated by this reference.

11. Answering paragraphs 39, 40, 41, 42 and 43, plaintiff denies each and all of the allegations contained therein.

12. Answering paragraph 44, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 43 and they are incorporated by this reference.

13. Answering paragraphs 45, 46 and 47, plaintiff denies each and all of the allegations contained therein.

14. Answering paragraph 48, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 47 and they are incorporated by this reference.

15. Answering paragraphs 49, 50 and 51, plaintiff denies each and all of the allegations contained therein.

16. Answering paragraph 52, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 51 and they are incorporated herein.

17. Answering paragraphs 53, 54 and 55, plaintiff denies each and all of the allegations contained therein.

18. Answering paragraph 56, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 55 and they are incorporated herein.

19. Answering paragraphs 57, 58, 59 and 60, plaintiff denies each and all of the allegations contained therein.

20. Answering paragraph 61, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 60 and they are incorporated by this reference.

21. Answering paragraphs 62, 63, 64, 65 and 66, plaintiff denies each and all of the allegations contained therein.

FIRST AFFIRMATIVE DEFENSE

(Failure To State Facts Sufficient To Constitute A Claim)

22. Neither the first, second, third, fourth, fifth, sixth nor seventh counterclaim states facts sufficient to constitute a cause of action against plaintiff.

SECOND AFFIRMATIVE DEFENSE

(Unclean Hands)

23. Counterclaimants are guilty of unclean hands and are therefore barred from bringing the alleged counterclaims.

THIRD AFFIRMATIVE DEFENSE

(Laches)

24. Counterclaimants are guilty of laches and are therefore barred from bringing the alleged counterclaims.

FOURTH AFFIRMATIVE DEFENSE

(Estoppel)

25. Counterclaimants are estopped to assert the alleged counterclaims.

FIFTH AFFIRMATIVE DEFENSE

(Waiver)

26. Counterclaimants have waived their right to bring the alleged counterclaims.

SIXTH AFFIRMATIVE DEFENSE

(Justification)

27. All of plaintiff's actions which purportedly form the basis for the alleged counterclaims were justified.

WHEREFORE, plaintiff and counterdefendant prays judgment as follows:

1. That counterclaimants take nothing by their counterclaims on file herein;
2. For costs of suit herein; and
3. For such other and further relief as to the Court may seem just and proper.

DATED: August 27, 1984

Joel E. Boxer
Dorothy Wolpert
NUTTER, BIRD, MARELLA,
BOXER, WOLPERT & MATZ
A Professional Corporation

By Dorothy Wolpert
Dorothy Wolpert
Attorneys for Plaintiff
and Counterdefendant

[Certificate of Service omitted in this printing]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No: 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIMS

REPLY TO COUNTERCLAIMS

Plaintiff and counterdefendant Universal City Studios, Inc., ("plaintiff") answers the counterclaims of defendants Professional Real Estate Investors, Inc., and Kenneth F. Irwin as follows:

1. In the event that any of the allegations denominated "affirmative defenses" at paragraphs 14, 15, 16 or 17, and incorporated by reference at paragraphs 33, 38, 44, 48, 52, 56 and 61, of defendant's pleading herein should, pursuant to Federal Rule of Civil Procedure 8(c) be treated at any time as counterclaims, rather than affirmative defenses, plaintiff denies each and all of the allegations contained in paragraphs 14, 15, 16 and 17.

2. Answering paragraph 18, plaintiff denies each and all of the allegations contained therein.

3. Answering paragraph 19, plaintiff denies each and all of the allegations contained therein.

4. Answering paragraph 20, plaintiff admits that it transacts business, is licensed to do business and is doing

business in the Central District of California. Except as specifically admitted, plaintiff denies each and all of the allegations of paragraph 20.

5. Plaintiff admits the allegations of paragraphs 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30.

6. Answering paragraph 31, plaintiff denies each and all of the allegations contained therein.

7. Answering paragraph 32, plaintiff denies each and all of the allegations contained therein.

8. Answering paragraph 33, plaintiff denies each and all of the allegations contained therein and incorporated therein by reference.

9. Answering paragraphs 34, 35, 36 and 37, plaintiff denies each and all of the allegations contained therein.

10. Answering paragraph 38, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 37 and they are incorporated by this reference.

11. Answering paragraphs 39, 40, 41, 42 and 43, plaintiff denies each and all of the allegations contained therein.

12. Answering paragraph 44, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 43 and they are incorporated by this reference.

13. Answering paragraph 45, 46 and 47, plaintiff denies each and all of the allegations contained therein.

14. Answering paragraph 48, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 47 and they are incorporated by this reference.

15. Answering paragraphs 49, 50 and 51, plaintiff denies each and all of the allegations contained therein.

16. Answering paragraph 52, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 51 and they are incorporated herein.

17. Answering paragraphs 53, 54 and 55, plaintiff denies each and all of the allegations contained therein.

18. Answering paragraph 56, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 55 and they are incorporated herein.

19. Answering paragraphs 57, 58, 59 and 60, plaintiff denies each and all of the allegations contained therein.

20. Answering paragraph 61, plaintiff realleges as if fully set forth herein its responses to paragraphs 14 through 60 and they are incorporated by this reference.

21. Answering paragraphs 62, 63, 64, 65 and 66, plaintiff denies each and all of the allegations contained therein.

FIRST AFFIRMATIVE DEFENSE
(Failure To State Facts Sufficient
To Constitute A Claim)

22. Neither the first, second, third, fourth, fifth, sixth nor seventh counterclaim states facts sufficient to constitute a cause of action against plaintiff.

SECOND AFFIRMATIVE DEFENSE
(Unclean Hands)

23. Counterclaimants are guilty of unclean hands and are therefore barred from bringing the alleged counterclaims.

THIRD AFFIRMATIVE DEFENSE
(Laches)

24. Counterclaimants are guilty of laches and are therefore barred from bringing the alleged counterclaims.

FOURTH AFFIRMATIVE DEFENSE
(Estoppel)

25. Counterclaimants are estopped to assert the alleged counterclaims.

FIFTH AFFIRMATIVE DEFENSE
(Waiver)

26. Counterclaimants have waived their right to bring the alleged counterclaims.

SIXTH AFFIRMATIVE DEFENSE
(Justification)

27. All of plaintiff's actions which purportedly form the basis for the alleged counterclaims were justified.

WHEREFORE, plaintiff and counterdefendant prays judgment as follows:

1. That counterclaimants take nothing by their counterclaims on file herein;
2. For costs of suit herein; and
3. For such other and further relief as to the Court may seem just and proper.

DATED: August 27, 1984

Joel E. Boxer
Dorothy Wolpert
NUTTER, BIRD, MARELLA,
BOXER, WOLPERT & MATZ
A Professional Corporation

By Dorothy Wolpert
Dorothy Wolpert
Attorneys for Plaintiff
and Counterdefendant

[Certificate of Service omitted in this printing]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

AND RELATED COUNTERCLAIMS

NOTICE OF MOTION AND MOTION TO COMPEL
PLAINTIFFS AND COUNTER-DEFENDANTS TO
PRODUCE DOCUMENTS AND FOR EXPENSES AND
ATTORNEYS' FEES; MEMORANDUM IN SUPPORT; AND
DECLARATION OF NON-COMPLIANCE

Hearing: September 9, 1985
10:00 a.m.
Courtroom 23

FILED

AUG 13 1985

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

PLEASE TAKE NOTICE that on September 9, 1985 at
10:00 a.m. or as soon thereafter as counsel may be heard,

defendants and counterclaimants, Professional Real Estate Investors, Inc., and Mr. Kenneth F. Irwin (collectively referred to as "Irwin"), will move the Court for an order pursuant to Rule 37 of the Federal Rules of Civil Procedure, imposing on plaintiffs and counterdefendants, Columbia Pictures Industries, Inc., *et al.*, (collectively referred to as "plaintiffs"), to produce for inspection and copying the documents requested in Irwin's Request for Production of Documents, served on January 7, 1985, and requiring plaintiffs and plaintiffs' counsel to pay Irwin's expenses and attorney's fees incurred in connection with this motion and the Rule 7.15.1 meeting of counsel as a result of plaintiffs' failures to cooperate in discovery.

Dated: August 8, 1985

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE

MICHAEL J. DENNIS LAW
CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNES

By: _____
Jeffrey W. King
Attorneys for Defendants and Counter-
claimants Professional Real Estate
Investors, Inc., and Kenneth F. Irwin

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

AND RELATED COUNTERCLAIM

ORDER TO COMPEL PLAINTIFFS TO PRODUCE
DOCUMENTS AND TO PAY DEFENDANTS EXPENSES
AND ATTORNEYS' FEES

FILED

AUG 13 1985

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Upon consideration of the Motion to Compel Production of Documents filed by defendants and counterclaimants Professional Real Estate Investors, Inc., and Kenneth F. Irwin to compel plaintiffs and counterdefendants Columbia Pictures Industries, Inc., *et al.*, to produce documents requested in defendants' January 7, 1985 Request for Production of Documents, the parties' contentions on the issues, and arguments of counsel, it is hereby

ORDERED that:

- (1) Plaintiffs produce the documents requested in defendants' Request for Production of Documents Nos. 1-40 on or before _____, 1985 at the law offices at Michael J. Dennis Law Corporation, 510 West Sixth Street, Suite 910, Los Angeles, California;
- (2) Plaintiffs pay defendants' reasonable expenses and attorney fees incurred in connection with this motion;
- (3) Plaintiffs pay defendants' reasonable expenses and attorneys fees incurred in attending the Rule 7.15.1 meeting of counsel; and
- (4) Defendants submit to this Court, within 20 days of the date of this Order, an application for its reasonable expenses and attorneys fees incurred in connection with this motion and the Rule 7.15.1 meeting of counsel.

DATE

U.S. DISTRICT JUDGE

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

AND RELATED COUNTERCLAIM

MEMORANDUM IN SUPPORT OF MOTION TO COMPEL
PLAINTIFFS AND COUNTERDEFENDANTS TO
PRODUCE DOCUMENTS AND FOR EXPENSES AND
ATTORNEYS FEES

Hearing Date: September 9, 1985

Hearing Time: 10:00 Am

Hearing Place: Court Room 23

[Table of Contents omitted in this printing]

[Table of Authorities omitted in this printing]

MEMORANDUM IN SUPPORT OF MOTION TO COMPEL
PLAINTIFFS AND COUNTERDEFENDANTS TO
PRODUCE DOCUMENTS

This memorandum is respectfully submitted on behalf of defendants and counterclaimants Professional Real Estate Investors, Inc., and Kenneth F. Irwin (collectively referred to as "Irwin"), in support of their motion to compel discovery pursuant to Rule 37 of the Federal Rules of Civil Procedure.

INTRODUCTION

Plaintiffs and counterdefendants Columbia Pictures Industries, Inc., *et al.* (collectively referred to as "plaintiffs"), by admission of their own counsel, have refused to cooperate in discovery. Irwin served a set of document requests on each of the plaintiffs. The plaintiffs have refused to produce any documents responsive to twenty-eight of Irwin's forty requests and refused in part to produce documents responsive to the remaining twelve requests. In fact plaintiffs have produced documents responsive to only eight of Irwin's requests and even for those requests the production was not complete. Moreover, plaintiffs failed to produce any documents for almost four months after their responses to Irwin's January 7, 1985 document request were due. Now, over six months after plaintiffs' responses were due, all eight plaintiffs together have produced only ninety-six documents, totally only 203 pages.¹

Of the ninety-six documents produced, eighty-seven are copyright registrations or assignments, five are copies of Irwin's advertisements, one is a letter from plaintiffs' counsel to Irwin, and three are copyright notice labels

¹ In contrast, Irwin produced 2978 pages of documents in response to plaintiffs' document request. Although Irwin's production does contain some duplicates, it is far more extensive than the production by all eight plaintiffs together.

from two videotapes and one videodisc. One plaintiff (CBS) failed to produce any documents and another (Universal City Studios) produced only one.

A review of plaintiffs' objections and responses demonstrates that the objections are meritless and the responses inadequate. First, plaintiffs objected to all of the document requests on the basis of attorney-client privilege and the attorney work product doctrine, but failed to provide sufficient information to assess the validity of these objections. Accordingly, there is no evidence in the record supporting plaintiffs' claim of privilege.

Second, plaintiffs refused to produce documents "supporting or relating in any way to" allegations in plaintiffs' complaint (Document Requests 2-16, 18, 40) on the grounds, among others, of irrelevancy and vagueness. The frivolity of plaintiffs' objections is amply demonstrated by the fact that those requests dealt with the very issues raised by plaintiffs' complaint. In fact, many of the requests actually quote the complaint.

Third, plaintiffs refused to produce any documents relating to the counterclaims on the grounds that those requests are overbroad, seek confidential or proprietary information, and are irrelevant. The information requested, however, is narrowly tailored to Irwin's counterclaims for copyright misuse, violations of the antitrust laws, or other unfair trade practices. Similarly, plaintiffs refused to produce most documents relating to the affirmative defenses. (They did produce three copyright notice labels.) Irwin is entitled to discovery on its affirmative defenses and counterclaims.

Fourth, plaintiffs have even failed to produce most of the documents to which they raised no objections. Counsel for Irwin has, on numerous occasions, sought to meet with plaintiffs' counsel to attempt to resolve this dispute without involving the Court. In spite of repeated requests from March through July 1985, the meeting with counsel re-

quired by Local Rules 7.15.1 did not take place until July 31, 1985. Even then, plaintiffs' counsel was unprepared and initially refused to discuss these discovery matters. Further, plaintiffs' counsel was required by Local Rule 7.15.4 to provide to counsel for Irwin, within seven days of the meeting, its contentions on discovery to enable counsel for Irwin to prepare the required stipulation. Yet, almost two weeks after the meeting, plaintiffs' counsel has failed to supply this.

An examination of plaintiffs' objections reveals that they lack merit and were interposed solely to prevent Irwin from securing the discovery to which it is entitled under Rule 34 of the Federal Rules of Civil Procedure.

STATEMENT OF FACTS

The eight plaintiffs in this action filed suit on April 25, 1983, alleging copyright infringement by Irwin. Plaintiffs' basic contentions are that Irwin operated a resort facility, La Mancha Private Club and Villas, and violated plaintiffs' copyrights in certain motion pictures by renting videodiscs of the motion pictures to the guests at Irwin's facilities. Inasmuch as rental of the videodiscs is acknowledged to be legal, plaintiffs contend that the playing of the videodiscs by the guests at La Mancha in the villas they rent constitutes "public performance." Accordingly, the basic issue raised by the complaint is whether guests at Irwin's La Mancha facilities are "publically performing" the videodiscs when they view the movies in the privacy of the villas they have rented. If viewing the videodiscs in the privacy of a villa is not "public performance," then plaintiffs' claims will fail.²

² In the "Joint Report of Early Meeting," the issue was stated as "whether any of the answering defendants' activities constitute unauthorized public performance of plaintiffs' copyrighted works." Inasmuch as no one contends that Irwin performs the works personally, the only performance contested is the playing of the videodiscs by guests at La Mancha in the privacy of the villas they have rented.

The parties agreed to several extensions of time for Irwin to answer the complaint to allow the parties to attempt to negotiate a settlement. Settlement was never reached, and on February 9, 1985, Irwin filed an answer to the complaint, along with affirmative defenses and counterclaims. The principal affirmative defenses and counterclaims revolved around plaintiffs' improper copyright notices and antitrust violations. After several extensions of time at plaintiffs' request, plaintiffs filed their answer to the counterclaims on August 27, 1984. At that time, plaintiffs noticed the deposition of Kenneth Irwin and served a request for production of documents. That deposition commenced in November, at which time Irwin produced the documents requested by plaintiffs. The deposition was continued and completed on January 15, 1985.

On January 7, 1985, Irwin served on each plaintiff a Request for Production of Documents Nos. 1-40.³ Plaintiffs

³ There were eight separate requests for production—one for each plaintiff—and eight separate responses. Copies of each request and the responses are attached as Exhibit 3 to this motion. The eight requests were identical except for one aspect. The complaint alleged for each plaintiff identical claims but in different paragraphs of the complaint. As a result, Irwin's requests are identical for each plaintiff except that the paragraph references to the complaint differ for each plaintiff and, obviously, the name reference to each plaintiff differs.

In addition, plaintiffs did not repeat the document requests in their objections. As a convenience to the Court, Irwin has prepared a consolidated request and response which is attached as Exhibit 1 to this motion. This consolidated list also contains, to the degree Irwin can determine, identification of what, if any, documents have been produced to date in response to each request. The consolidated request and responses are for Columbia Pictures. As discussed above, however, the request and responses for the other seven plaintiffs are identical except for paragraph references to the complaint.

Finally, since a number of requests quote or refer to the complaint, and the other requests relate to Irwin's affirmative defenses and counterclaims, the complaint and the Answer, Affirmative Defenses and Counterclaims are attached as Exhibit 4 to this motion.

served objections to all 40 document requests on February 7, 1985. Plaintiffs did not produce any documents with the objections. Plaintiffs did state in their objections that for twelve of the forty requests, and to the extent not objected to, "plaintiff will afford defendants a reasonable opportunity to inspect and copy the documents." Yet, six months after production was required, plaintiffs have produced only 96 documents in response to eight of the twelve requests and have failed to produce complete responses to any of those eight requests.

Several days after Irwin received plaintiffs' objections, local counsel for Irwin contacted plaintiffs' counsel and requested plaintiffs to identify the number of documents they were willing to produce and the location where they would produce them.⁴ Plaintiffs, however, failed to respond to that request. Accordingly, on March 1, 1985, counsel for Irwin sent to plaintiffs a letter specifically requesting a meeting under Local Rule 7.15.1 to resolve the discovery dispute. The letter was sent by overnight mail. On March 12, ten days after plaintiffs received Irwin's request for the Rule 7 meeting, Irwin's counsel sent another letter by express mail reiterating the earlier request for the discovery conference.

Under the Local Rules, plaintiffs' counsel was obligated to meet within ten days of service of the March 1 letter. Specifically, Local Rule 7.15.1 requires that:

[p]rior to the filing of any motion relating to discovery, . . . counsel for the parties shall meet in person in a good-faith effort to eliminate the necessity for hearing the motion or to eliminate as many of the disputes as possible. . . . Unless relieved by order of the court upon good cause

⁴ The facts described in this memorandum are supported by the "Declaration of Non-Cooperation by the Opposing Party" attached hereto as Attachment 2.

shown or agreement of the parties, counsel for the opposing parties shall meet with counsel for the moving party within ten (10) days of service upon him of a letter requesting such meeting and specifying the terms of the discovery order to be sought.

Rather than setting up the meeting, or attempting to discuss this matter by telephone, plaintiffs' counsel sent a letter by regular mail on March 13, 1985, stating that counsel would be available for a Rule 7 meeting during the week of March 25, 1985—more than three weeks after the meeting had originally been requested and almost two weeks after the deadline for holding the meeting pursuant to the Local Rules. In spite of repeated attempts, however, parties were not able to arrange the meeting at that time.

Counsel for Irwin repeatedly telephoned plaintiffs' counsel in an attempt to resolve the pending discovery disputes. Finally, on April 16, 1985, counsel were able to discuss the dispute by telephone. In an attempt to "eliminate as many of the disputes as possible," as required by Local Rule 7.15.1, Irwin reiterated the earlier request that plaintiffs identify the number of documents that plaintiffs were willing to produce voluntarily and that plaintiffs produce these documents before a motion was filed with this Court. Plaintiffs' counsel, however, stated that she did not know how many documents there were, indicating that more than two months after production was required, plaintiffs had not yet even attempted to identify documents responsive to the requests. Plaintiffs' counsel indicated that there might be as few as a "box or two of documents" that plaintiffs were willing to produce at that time. On April 24, 1985, counsel once again conferred by telephone and agreed that plaintiffs would send to Irwin by Friday, May 17, 1985, all of the documents that plaintiffs were willing to produce in response to the January 7, 1985 document request.

By letter dated May 14, 1985, plaintiffs forwarded 84 documents "responsive to request Nos. 2, 3, 4, 5, 8, 9, 12, 15, and 16." Plaintiffs' counsel asserted that copying and forwarding the documents to counsel for Irwin "has made [production] an arduous and more difficult job," in spite of the fact that only 84 documents consisting of 181 pages were produced at that time. Irwin had previously accorded plaintiffs, the courtesy of copying and forwarding a far greater number of documents.

On May 21, 1985, Irwin again sent a letter to plaintiffs reaffirming the understanding that *all* the documents plaintiffs had not objected to producing were to be produced by May 17, 1985. By letter dated May 30, 1985, plaintiffs forwarded a few additional documents and provided excerpts from two of plaintiffs' license agreements, but failed to complete production. Counsel once again conferred by telephone regarding Irwin's January 7, 1985 document request. Although plaintiffs had been in violation of Fed. R. Civ. P. 34(b) (requiring production within 30 days) for more than four months at that point, plaintiffs would not agree to complete production by any specific date. Plaintiffs stated that they declined to establish a new date by which production would be completed for fear that plaintiffs would once again fail to comply with any new deadline. In discussing plaintiffs' recalcitrance, plaintiffs' counsel expressly stated that her clients were not cooperating and were not producing the documents.

Unable to obtain the documents which plaintiffs had not even objected to producing, Irwin sought to set up the Rule 7 meeting to discuss the discovery problems and, at a minimum, to allow Irwin to move forward with a motion to compel. In early June, 1985, plaintiffs' counsel informed counsel for Irwin that she would be in Washington, D.C. and that the Rule 7 meeting could take place during her visit. Irwin's counsel agreed and counsel for plaintiffs stated that she would provide Irwin with a schedule. Nothing further was heard from plaintiffs until plaintiffs'

counsel sent a letter in late June, informing Irwin that she was unable to arrange the meeting while in Washington. That letter was sent after plaintiffs' counsel had returned to the West Coast.

This Court ordered a pre-trial conference, on July 5, 1985. On July 24, 1985, counsel for Irwin telephoned plaintiffs' counsel and agreed to conduct the Rule 7 meeting on July 31, 1985.⁵ Plaintiffs' counsel, however, arrived at the meeting totally unprepared to discuss their objections and refused to discuss their objections to the discovery requests. Only at the insistence of counsel for Irwin would plaintiffs' counsel discuss the matter. Even then, however, plaintiffs' counsel placed a fifteen minute time limit on the discussion and terminated the meeting before the matter had been fully discussed. The discussion proved virtually fruitless. Plaintiffs' counsel essentially failed to commit to any additional production, stating only that they would "reconsider" certain objections and the requests. Irwin, in contrast, agreed to modify several requests to meet plaintiffs' concerns. Plaintiffs left the meeting but committed themselves to respond to the meeting by early the following week. Now, almost two full weeks after the meeting, and a week beyond the seven days provided for under Local Rule 7.15.4, plaintiffs have yet to respond as agreed or provide any further clarification or documents.

Plaintiffs have refused to comply with the explicit requirements of the Federal Rules of Civil Procedure and Local Rules of this Court regarding production. Because plaintiffs have refused to cooperate and to provide Irwin the opportunity for discovery to which Irwin is entitled under the Federal Rules of Civil Procedure, it has been necessary to request this Court to intervene where reason and patience have failed.

⁵ Irwin set the meeting up in conjunction with the meeting of counsel required under Local Rule 9.4.

ARGUMENT

I.

PLAINTIFFS' UNSUPPORTED BOILERPLATE OBJECTIONS ARE MERITLESS

Plaintiffs' assert a large number of frivolous and boilerplate objections. Specifically, plaintiffs raise two general objections to all the document requests: (1) the requests call for information covered by the attorney-client privilege and the work product doctrine;⁶ and (2) the requests are unduly burdensome. In addition, they raise five other objections: (3) the requests seek confidential or proprietary information (applies to sixteen of the requests); (4) the requests call for "irrelevant" information (applies to twenty-one of the requests); (5) the requests are "vague, overbroad and ambiguous" (applies to thirty-two of the requests); (6) the requests call for documents already in the possession of Irwin (applies to five of the requests); and (7) the requests are "premature" (applies to two requests). Plaintiffs also refuse to produce the documents at a single location or even in this district. Rather, plaintiffs intend to produce the documents at various locations that are convenient to them and are located in several states including California and New York. Finally, plaintiffs have failed to even produce the vast majority of documents to which they did not raise an objection.

Plaintiffs' objections and refusals to produce cannot withstand scrutiny. Plaintiffs' claims of "privilege," and

⁶ Plaintiffs also object to all of Irwin's document requests to the extent that each request requires the production of information not within plaintiffs' possession, custody, or control. See General Objection No. 2. The first paragraph of Irwin's requests, however, specifically states that plaintiffs are requested only "to produce and make available for copying, all documents and things requested below *that are in its possession, custody or control.*" Hence, plaintiffs' General Objection No. 2 is meritless and need not be addressed.

"undue burden" are not supported by the law or the facts. Similarly, plaintiffs' incantations of "irrelevancy," "vagueness" and similar protests cannot hide the fact that Irwin's requests are directed at the three principal issues in this case: the allegations in plaintiffs' complaint; Irwin's affirmative defense that plaintiffs' misused their copyrights; and Irwin's defenses and counterclaims alleging that plaintiffs violated the antitrust laws. These are proper issues for discovery and plaintiffs' resistance is unjustified.

Plaintiffs' broad and general objections are discussed below followed by a discussion of Irwin's individual requests and the inapplicability of plaintiffs' objections. Finally, the impropriety of plaintiffs' insistence that the documents be produced at various locations, some outside the district, and the need for an award of costs and attorneys' fees is explained.

II.

PLAINTIFFS' ASSERTION OF ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT IMMUNITY ARE UNSUBSTANTIATED

Plaintiffs claim "privilege" and "work product" but fail to explain or provide any information to evaluate the merits of their objections. Plaintiffs object to all of Irwin's document requests to the extent they require production of documents that are covered by the attorney-client privilege and the work product doctrine. See Plaintiffs' General Objection 1. Plaintiffs' bald claims of attorney-client privilege and work product doctrine, however, cannot be sustained. It is axiomatic that a party asserting attorney-client privilege must provide enough information about the documents to allow the claim of privilege to be evaluated. Specifically, "[T]he [objecting] party must supply the court with sufficient information from which it could reasonably conclude that the communication: (1) concerned the seeking of legal advice; (2) was between a client and an attorney

acting in his professional capacity; (3) was related to legal matters; and (4) is at the client's instance permanently protected." *Federal Trade Commission v. Shaffner*, 626 F.2d 32, 37 (7th Cir. 1980). Plaintiffs have not identified a single document as qualifying for this privilege. Moreover, they have failed to support their objections with any facts.

When an objecting party fails to meet its burden regarding the claim of attorney-client privilege, the objecting party should be compelled to produce the documents or to produce the information sufficient to sustain the privilege. Furthermore, throughout attempts to resolve this discovery dispute, the plaintiffs have steadfastly refused to supplement their original blanket claim of privilege. Counsel for Irwin requested plaintiffs' counsel for information sufficient to support the claim of privilege by letter on March 1, 1985, and again repeatedly throughout April, May, June, and July. No information was provided. Finally, on July 31, 1985 plaintiffs' counsel agreed to identify some, but not all, of the allegedly privileged documents. Although inadequate, plaintiffs failed to make even this half-hearted attempt; as yet, plaintiffs have supplied *no* information to support their claims of attorney-client privilege.

Similarly, the objecting party bears the burden of demonstrating that the documents fall within the scope of work product immunity. In *re Uranium Antitrust Litigation*, 552 F. Supp. 517 (N.D. Ill. 1982). In the *Uranium Antitrust Litigation* case, each party objected to the other's document requests on a blanket assertion of either attorney-client privilege or work product immunity. Each filed a motion to compel production of documents. The court found that the parties' document lists, which contained only cryptic statements as to document content and from whom and to whom documents were sent, were "totally inadequate" to sustain the assertions of attorney-client privilege or work product immunity. Accordingly, the court ordered production of all of the documents. Only

if specific documents were described with particularity and were accompanied by a particularized assertion of the privilege or immunity would the court be willing to reconsider the claim of privilege with respect to particular documents. *Id.* at 518.

Plaintiffs here have not even provided as much information as was provided in *Uranium Antitrust Litigation* and found inadequate. Plaintiffs have failed to provide *any* of the information necessary to allow this court to assess adequately plaintiffs' assertions of work product immunity. Without such information plaintiffs have not met their burden of establishing the immunity and their objections are, therefore, meritless.

III.

PLAINTIFFS HAVE FAILED TO SHOW THAT THE DOCUMENT REQUESTS ARE UNDULY BURDENSOME

Plaintiffs object to all of Irwin's document requests on the ground of burden. Plaintiffs failed, however, to explain what that burden is or why it is undue. In order to support their burden objection, plaintiffs must establish, with respect to each document request (1) the burden involved and (2) that the burden outweighs Irwin's need for the information. *Xerox Corp. v. International Business Mach. Corp.*, 399 F. Supp. 451, 456 (S.D.N.Y. 1975).

A review of the document requests themselves reveals the lack of basis for the objection. First, this is Irwin's first discovery request in this litigation. Second, plaintiffs are the *only* source of information on the vast majority of the requests, particularly those addressing misuse of plaintiffs' copyrights and the antitrust counterclaims. (See Arguments V and VI, *infra*.) Finally, no burden is involved, particularly in view of the needs of the case. Irwin is entitled to discovery on their affirmative defenses and antitrust counterclaims. These issues also involve a significant public interest in the scope of the monopoly

granted the copyright owner by the copyright law. The basis for plaintiffs' claim of undue burden is even more baffling in that plaintiffs' counsel claims the documents would fit in "one or two boxes." The needs of the case are substantial, and the burden virtually non-existent.

Even where discovery is burdensome or expensive, and it is not in this case, this does not permit a party to escape the responsibility of responding. "If the interrogatories are relevant, the fact that they involve work, research and expense is not sufficient to render them objectionable." *United States v. NYSCO Laboratories, Inc.*, 26 F.R.D. 159, 161 (E.D.N.Y. 1960). For example, in *Alexander v. Rizzo*, 50 F.R.D. 374 (E.D. Pa. 1970), the court recognized the obvious necessity of the information and flatly rejected the argument that "the time needed to complete discovery . . . would 'require hundreds of employees of the Police Department many years of man hours to unearth the answers to the interrogatories and other discovery procedures pursued by counsel.'" *Id.* at 376.

Plaintiffs' alleged burden in the present case is *de minimis* by comparison. Plaintiffs' weak attempt to avoid discovery by an unsupported claim of burden should be denied in light of the obvious importance of the requested discovery to Irwin's affirmative defenses and counterclaims. Moreover, this is not an instance where a boilerplate objection has been raised merely to preserve the objection. Rather, plaintiffs have produced only 96 documents to date. Eighty-seven of them are basic copyright registrations that actually should have been produced at the early meeting of counsel pursuant to Local Rule 6.⁷ Of the remaining nine documents, five are Irwin's own advertisements that Irwin previously produced to plaintiffs. One of the four remaining documents is a protest letter from plaintiffs to

⁷ Irwin has filed a Motion for Sanctions which fully explains plaintiffs' failures to follow the local and federal rules concerning pre-trial preparation.

Irwin. The three remaining documents are labels from two videotapes and a videodisc for two Walt Disney films. Accordingly, plaintiffs have failed to provide any meaningful discovery.

IV.

PLAINTIFFS' REFUSAL TO PRODUCE DOCUMENTS THAT RELATE DIRECTLY TO THE ALLEGATIONS IN PLAINTIFFS' COMPLAINT IS BASELESS

(Document Request Nos. 1-19, 37 and 40)

Plaintiffs have objected to the document requests concerning the contentions in the complaint for the most part on the ground that the documents are not relevant and the requests are "overbroad, vague and ambiguous." Plaintiffs' allegations that the documents sought are irrelevant to this litigation are difficult to fathom. Rule 26(b)(1) of the Federal Rules of Civil Procedure specifically provides that Irwin is entitled to the requested discovery:

Parties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or defenses of any other party.

As the court stated in *Cornaglia v. Ricciardi*, 63 F.R.D. 4116, 419 (E.D. Pa. 1974), "[i]t is beyond question that defendant is entitled to discovery of the facts upon which the plaintiff's claim . . . is founded." See also *Sargent-Welch Scientific Co. v. Ventron Corp.*, 59 F.R.D. 500 (N.D. Ill. 1973) (both the factual basis and the source of allegations of the pleadings are discoverable). In *RCA Mfg. Co. v. Decca Records*, 1 F.R.D. 433, 435 (S.D.N.Y. 1940), one party objected to several interrogatories because the answers would require extensive research, investigation and expense. The court, however, found that "the interroga-

tories sought details of matters alleged in the answer and, having pleaded it, it may be assumed that the [objecting party] is in a position to furnish such details." Each of the allegations in plaintiffs' complaint are facts plaintiffs felt were relevant when they filed the complaint. No explanation has been given by plaintiffs as to why information that was relevant to plaintiffs' claims when filed is not relevant during discovery.

Plaintiffs' objection that the requests are "vague, overbroad and ambiguous" is similarly disingenuous. These requests ask specifically for documents "supporting and relating" to each basic contention in plaintiffs' complaint. Nearly all of the requests identify a specific paragraph from the complaint and most actually quote the complaint. The requests, therefore, are only as "vague, overbroad and ambiguous" as are the contentions in plaintiffs' complaint. A brief review of the requests and the responses amply demonstrates the frivolity of plaintiffs' objections.

A. Information Concerning Irwin's La Mancha Facilities

(Document Request Nos. 2-5 and 11)*

Request Nos. 2-5 seek information relating to plaintiffs' allegation concerning Irwin's La Mancha resort and the alleged infringing activity. Request No. 11 seeks to discern the basis of plaintiffs' contention as to the source of Irwin's videodisc inventory. Each of these requests relates to specific allegations in plaintiffs' pleadings, and, in fact, each quote the actual contention in the complaint.

Plaintiffs object to these requests on the grounds that they seek documents that are in Irwin's possession." The

* Plaintiffs produced, ostensibly pursuant to these requests, five of Irwin's advertisements.

* Plaintiffs also object to request No. 11 because Irwin "admitted acquiring possession of the videodiscs," and therefore the request is

objection is frivolous. As noted above, Fed. R. Civ. P. 26(b)(1) gives Irwin a right to discover such information from plaintiffs—a right that is not qualified by the extent of Irwin's possession of that information. In *Radzik v. Chicagoland Recreational Vehicle Dealers Ass'n, Inc.*, 15 F.R. Serv. 2d 1606, 1607 (N.D. Ill. 1972), the court stated that "the fact that the requested information is equally accessible to the defendant, even if true, would not support the plaintiffs' objection since the defendant is entitled to learn in advance of trial what the plaintiff contends are the facts so that the defendant will be able to ascertain what he must meet at trial." *Accord United States v. Purdome*, 30 F.R.D. 338 (W.D. Mo. 1962). Furthermore, even though both parties may have a document, the two copies may not be identical. Discovery allows a party to find out if a document has been altered or if comments have been added to it. Thus, even were Irwin to have access to all the requested information, and they do not, plaintiffs would not be excused from complying with the discovery requests.

The purpose of discovery is to make sure both parties have access to a complete set of information. Plaintiffs' assertion that Irwin has the documents that support plaintiffs' allegations is, at best, highly speculative. At worst, it is simply incorrect. Nor have plaintiffs ordered one scintilla of evidence to support that objection. Irwin has a right to find out through the discovery process what information plaintiffs have to support their allegations.

B. Information Concerning the Allegation that Irwin Infringed Plaintiffs' Copyright by Conducting Public Performances of Their Works

(Document Request Nos. 8, 9, 10, 13, 14, 15)¹⁰

Surprisingly, plaintiffs have failed to produce documents supporting their basic contention that the playing of vi-

irrelevant. Plaintiffs have not yet formally stated whether they claim Irwin obtained possession of illegitimate videodiscs and this request seeks that information.

¹⁰ No documents appear to have been produced by plaintiffs pursuant

deodiscs in the villas rented by Irwin's guests at Irwin's La-Mancha facility constituted "public performance" in violation of plaintiffs' copyrights. The clearest, most understandable way to gain the facts and sources of these allegations was to ask for the documents that supported specific contentions in the complaint, and that is what Irwin has done.

Plaintiffs object to the request concerning the basis of these allegations on the grounds that requests are "overbroad, vague and ambiguous." It is incomprehensible how plaintiffs could contend that these requests, incorporating verbatim plaintiffs' own allegations, are vague, ambiguous, or overbroad. Plaintiffs certainly understood the meaning of the quoted phrases well enough to include them in their complaint and it can be assumed that plaintiffs understand them now as well.

Plaintiffs contended at the Rule 7 meeting that the basis of plaintiffs' objection is that the requests are overbroad because they seek production of documents "relating to" the subject matter of each request—a term plaintiffs now contend sweeps too broadly. The contention is ludicrous for two reasons. First, plaintiffs employed even broader language—"evidence, *relate to* or *refer to*"—in their requests to Irwin. Having made requests that are, if anything, broader than Irwin's, plaintiffs should not now be heard to complain about the breadth of Irwin's requests. Second, Irwin uses the language "relating to," which plaintiffs claim so offensive, throughout the request for documents. Yet, plaintiffs find it entirely unobjectionable with respect to request Nos. 1-5, 10-12, and 17. This, too underscores plaintiffs' bad faith.

to these requests. For requests 8, 9 and 15, plaintiff indicated that they would produce documents "to the extent not objectionable. . . ." To date, however, no documents have been produced.

C. Plaintiffs' Alleged Injury

(Document Request No. 10 and 17)¹¹

Plaintiffs have refused to produce documents responsive to Irwin's request Nos. 10 and 17, relating to plaintiffs' alleged injury on the grounds that the requests are premature. Request No. 10 seeks information supporting the claim in paragraph 19 of plaintiffs' complaint that they have been injured and damaged. Similarly, request No. 17 seeks information supporting the claim in paragraph 25 of plaintiffs' complaint that they have been and will be damaged.

In a copyright infringement action, plaintiffs are not entitled to ask for information on damages because of the fear that the suit may have been undertaken solely to gain information about a competitor's financial status. See *Columbia Pictures Corp. v. Rogers*, 81 F. Supp. 580 (S.D.W.V. 1949). The same concerns about abuse, however, are not present when a defendant seeks information about a plaintiffs' alleged injury. Inasmuch as plaintiffs specifically alleged that they have been and continue to be damaged, these requests are appropriate.

D. Proof of Plaintiffs' Ownership of the Copyrights

(Document Request No. 12)

Plaintiffs have produced eighty-seven documents in response to this request. The responses, however, are not complete. They did not include certificates of registration or the necessary assignment papers to show plaintiffs were the owners of the copyrights for fifteen of the seventy-four films alleged to be infringed in this suit. The production, therefore, is either incomplete or plaintiffs are not in fact the owners of the fifteen films.

¹¹ Plaintiffs have not produced any documents in response to this request.

E. Proof that Irwin "Deliberately and Willfully" Violated Plaintiffs' Copyright

(Document Request No. 16)

Plaintiffs allege that Irwin deliberately and willfully violated their copyrights. The only document produced that may be responsive is a letter from plaintiffs' counsel to Irwin, protesting Irwin's rental of videodiscs at the La Mancha facilities, which was sent just prior to bring this suit. Plaintiffs, however, objected to this request as overbroad, vague and ambiguous. Accordingly, it is not known whether other documents exist that are responsive to the request. If other documents do exist that support or relate to this allegation, plaintiffs should produce these documents.

F. Basis of the Complaint

(Document Request Nos. 18 and 19)¹²

Irwin sought all documents used or referred to by plaintiffs in preparing the complaint. Plaintiffs objected on the basis that the request was "overbroad, vague and ambiguous," and sought irrelevant and proprietary information. The very documents used to prepare the complaint are clearly relevant. Similarly, the request is not "overbroad, vague and ambiguous." The requests are limited to documents used to prepare the complaint and documents which support or relate to the complaint. Furthermore, the requests are limited to documents "not already produced" pursuant to Irwin's other requests.¹³ Plaintiffs' litany of objections, therefore, has no substance.

¹² Plaintiffs produced no documents in response to this request.

¹³ Plaintiffs also claim that Request No. 19 calls for confidential and proprietary information." As explained more fully below (see Argument VI, *infra*), such an objection is not recognized by the courts.

G. General Background Information

(Document Request Nos. 1, 39 and 40)

Irwin requested organizational charts from the plaintiffs (Request No. 1) in order to help understand the copyright ownership issues (subsidiaries may own the copyright) and the antitrust issues. Irwin also requested documents concerning Irwin and Irwin's advertising (Request No. 37 and 40) in order to have all documents that may be used by plaintiffs at trial. Plaintiffs object to producing organizational charts, claiming them to be irrelevant. At the Rule 7 meeting, plaintiffs explained that many parts of plaintiffs' business did not deal with motion pictures or films. Accordingly, Irwin agreed to restrict Request No. 1 to that portion of plaintiffs' business dealing with motion pictures and film. Plaintiffs indicated they would reconsider their objection in light of that modification to the request, but plaintiffs have failed to provide any response since the meeting two weeks ago.

V.

PLAINTIFFS HAVE REFUSED TO PRODUCE DOCUMENTS RELATING TO IRWIN'S AFFIRMATIVE DEFENSES

(Document Request Nos. 6, 30 and 31)¹⁴

Plaintiffs have also objected to the three document requests relating to one of Irwin's affirmative defenses on grounds of irrelevancy and vagueness. Irwin alleged, as one of their affirmative defenses, that plaintiffs misused their copyrights by attempting to restrict viewing of videotapes and discs to "home use." More specifically, the copyright laws grant a copyright owner certain rights including the exclusive rights to "perform the copyrighted

¹⁴ Plaintiffs have produced three copyright labels responsive to these requests.

work publically." 17 U.S.C. § 106(4). The law defines public performance as a performance "at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." 17 U.S.C. § 101. The copyright owner cannot, however, stop non-public or private performances. The law does not limit a non-public or private performance to performances in the "home." Rather, the law defines "private" in terms of those who are in attendance: "a family and its social acquaintances. . . ." The attempts by plaintiffs to prevent all but home viewing is an attempt to broaden their copyright monopoly to all private performances outside the home—rights that are beyond what the law grants. This abuse of their copyrights is misuse.

Plaintiffs have attempted to perpetuate this misuse in a number of ways, including the notices used on videotapes and videodiscs. The notices Irwin has seen to date include strong language admonishing the viewer that only "home viewing" is permissible, that criminal and civil liability may be brought for non-home viewing. To support its threats, an FBI symbol is included on the warning.

Irwin sought information concerning plaintiffs' attempts to restrict non-public performances to "home viewing." Specifically, Request No. 6 sought the basis of plaintiffs' statement in paragraph 14 of the complaint that "exhibition is restricted by law to home use only." Request No. 30 sought documents concerning the restrictive notice, and Request No. 31 requested information on the use of the FBI symbol in conjunction with plaintiffs' restrictive notices on the videodiscs and videotapes.

Plaintiffs' refusal to produce documents relating to Irwin's affirmative defenses on grounds of irrelevancy are meritless and cannot be sustained. Discovery into affirmative defenses is permissible. For example, in *AM Int'l, Inc. v. Eastman Kodak Co.*, 100 F.R.D. 255 (N.D. Ill. 1981), a patent infringement suit, the defendant raised as affirm-

ative defenses and counterclaims non-infringement and antitrust violations. The court allowed defendants broad discovery against plaintiff into these issues. *Id.*; see also *Columbia Pictures Corp. v. Rogers*, 81 F. Supp. 580, 584-85 (S.D.W.V. 1949) (court required production of plaintiff's exhibitor agreements where defendants asserted as an affirmative defense that the agreements were illegal and therefore unenforceable). Irwin's requests for documents relating to the plaintiffs' labeling and restriction on non-public performance are likewise necessary to establish Irwin's affirmative defenses.

It is also difficult to understand how these three requests are "overbroad, vague, and ambiguous." These objections, in fact, highlight plaintiffs' bad faith in responding to Irwin's requests. For example, Request No. 6 encapsulates the allegation of paragraph 14 of plaintiffs' complaint—that "exhibition is restricted by law to home use only"—concisely and accurately. Yet, plaintiffs feign ignorance of its meaning, claiming it to be "vague, overbroad and ambiguous," although they wrote the allegation. The requests are not vague; plaintiffs are simply attempting to avoid responding. Irwin raised an affirmative defense concerning copyright misuse and are entitled to discovery on that affirmative defense.

VI.

PLAINTIFFS HAVE REFUSED TO PROVIDE ANY DOCUMENTS WITH RESPECT TO THE ANTITRUST COUNTERCLAIMS

(Document Request Nos. 20-29, 32-36, 38 and 39)¹⁵

Plaintiffs have objected to the document requests relating to Irwin's antitrust counterclaims, on the grounds that the information sought is not relevant, seeks confidential

¹⁵ Plaintiffs have refused and in fact have produced no documents responsive to these requests.

information, and, as usual, are "overbroad." Irwin's basic antitrust claim is that the plaintiffs individually and in concert with others have attempted to restrict the development of a rental market for videotapes and videodiscs, especially for use in hotels and resorts. Plaintiffs undertook this action in order to maintain a monopoly over the distribution of motion pictures to hotels, resorts and other facilities. Irwin was informed that plaintiffs restricted their licensed distributors from selling to businesses that rented videotapes and videodiscs.

To support these claims, Irwin sought documents showing communications, understandings and agreements among the plaintiffs and with other motion picture companies (Request Nos. 20, 23, 25-29, 34 and 35). Irwin also requested document concerning agreements between plaintiffs and others used to facilitate plaintiffs' scheme to monopolize the market. Specifically, Irwin sought documents concerning the distribution of plaintiffs' copyrighted works and, in particular, information on plaintiffs' licensing practices and policies, including any restrictions on resale or rental of tapes and discs (Request Nos. 7, 21, 22, 24, 32, 33 38). Finally, Irwin requested documents concerning attempts by plaintiffs to enforce their illegal scheme (Request No. 36) and the basis for plaintiffs' denying the allegations in the counterclaim (Request No. 39).

Plaintiffs' objection to these document requests that the information sought is irrelevant is not supported by the historically broad scope of discovery permitted by the federal courts in antitrust cases. Federal courts permit liberal discovery in antitrust cases because of the overriding public interest in the enforcement of the antitrust laws. *Goldinger v. Boron Oil Co.*, 60 F.R.D. 562, 564 (W.D. Pa. 1973).

For example, in *Banana Serv. Co. v. United Fruit Co.*, 15 F.R.D. 106 (D. Mass. 1953), one party objected to the other's discovery requests because it felt they were vague

and indefinite. The court, however, explained the practical reasons supporting the propriety of general requests in antitrust cases and found the interrogatories appropriate under the circumstances.

[The propounding party] knows only the general nature and type of information which it wants, not the exact answer which it is to receive. It cannot be required to phrase its inquiries with mathematical precision. The phrases used in some of these interrogatories may be somewhat general, but they appear to be such as to give defendants a reasonably clear indication of the information to be included in its answers.

Id. at 109; accord *Quemos Theatre Co., Inc. v. Warner Bros. Pictures, Inc.*, 35 F. Supp. 949, 950 (D.N.J. 1940) (the very nature of establishing an antitrust violation involves extensive circumstantial evidence and the spirit of the rules requires liberal construction for discovery purposes before trial).

It is axiomatic that a party has a right to obtain basic information relating to an alleged conspiracy in violation of the antitrust laws. In *In re Shopping Carts Antitrust Litigation*, 95 F.R.D. 299 (S.D.N.Y. 1982), for example, the court found that the following discovery requests were proper because they sought information necessary to identify all events and individuals involved in the conspiracy:

Identify each meeting, communication, or contact, directly or indirectly, between one or more of your officers, agents or employees and one or more officers, agents or employees of any competitor or defendant where there was any mention made of actual, proposed, suggested or recommended prices, price increases or decreases, price levels, bids to customers, customers, discounts, allowances, special discounts, rebates, bids, territories concerning shopping

carts or other terms or conditions of sale for shopping carts in the United States.

• • • •

[For each meeting, listed above] the dates, means of communications, place, participants, subject matter, substance, actions taken as a result and documents relating thereto.

Id. at 307 n.7.

Irwin's requests seek precisely the same type of information as the requests approved by the court in the *Shopping Cart* case concerning meetings and communications between or among plaintiffs and other persons. Irwin's requests concerning meetings, communications, and memoranda may produce information necessary to determine the extent of plaintiffs' intent to conspire and actual conspiracy. This information relates directly to the elements of Irwin's Section 1 Sherman Act antitrust claim. Documents showing or evidencing agreements, oral or written, telephone conversations, meetings, communications, or internal memoranda would provide circumstantial evidence of joint action or agreement necessary for proving a violation under Section 1 of the Sherman Act. Irwin's need for these documents mirrors the necessity the court found in the *Shopping Cart* case and the requests are therefore not irrelevant.

Similarly, Document Request Nos. 7, 21, 22, 24, 32, 33 and 38 ask for licensing agreements which may relate to the illegal extension of the plaintiffs' copyright. Irwin has been informed that plaintiffs, in their agreement with RCA to produce videodiscs, specifically prohibited RCA from knowingly selling the discs to anyone who will rent the discs. Thus, the licensing arrangements the plaintiffs have are necessary to determine if plaintiffs extended their control beyond what was actually granted by the copyright law. These requests are proper.

To illustrate, in *Columbia Pictures Corp. v. Rogers*, 81 F. Supp. 580 (S.D.W.V. 1944), the court ordered production of all of plaintiffs' copyright license agreements because they were pertinent to defendant's affirmative defense of misuse. See also *Diamond Crystal Salt Co. v. Package Masters Inc.*, 319 F. Supp. 911, 913 (D. Del. 1970) (in a patent misuse case, the court held that a list of requests for licenses and any negotiations with respect to licenses was relevant to the misuse claim). Irwin's requests are similarly proper and relevant. Plaintiffs cannot ignore Irwin's antitrust counterclaims by denying discovery.

Plaintiffs' objections that the requests are overbroad are also devoid of merit. These objections are surprising since Irwin's requests were drafted using a format suggested by the Antitrust section of the ABA. Several of the requests are virtually identical to the ABA's suggested requests. See *Antitrust Discovery Handbook* (ABA) (1980). Further, Irwin does not know the exact documents plaintiffs possess, have custody of, or control in relation to the counterclaim.

Finally, plaintiffs object to most of these document requests on the ground that documents responsive to those requests contain information that is "confidential or proprietary." Plaintiffs cannot thwart discovery simply by asserting that the requests ask for confidential and proprietary information. Plaintiffs cannot sustain such a claim. As the Supreme Court stated in *Federal Open Mkt. Comm. of the Fed. Reserve Sys. v. Merrill*, 443 U.S. 340, 362 (1979), "There is no absolute privilege for trade secrets and similar confidential information." The Tenth Circuit applying *Merrill* to objections to production, in *Centurion Indus. Inc. v. Warren Steurer and Assoc.*, 665 F.2d 323 (10th Cir. 1981) stated that "to resist discovery under Rule 26(c)(7), a person must first establish that the information sought is a trade secret and then demonstrate that its disclosure might be harmful." *Id.* at 325. Hence, unless plaintiffs demonstrate that specific documents con-

tain confidential and proprietary information and that its disclosure might be harmful, plaintiffs' objections are wholly without merit. A few examples of the type of information the plaintiffs are classifying as confidential and proprietary will demonstrate that they cannot sustain this objection: plaintiffs have applied a "confidential and proprietary" label to travel and expense vouchers, calendars, telephone bills, and trade association information.

Moreover, even were plaintiffs to establish that documents responsive to these requests do, in fact, contain confidential or proprietary information, plaintiffs would not be excused from production in this case. When Irwin produced the documents requested by plaintiffs, counsel for Irwin offered to enter into an appropriate protective order, a suggestion that counsel for plaintiffs repeatedly declined. The parties, nonetheless, eventually agreed to be bound by a stipulation that any documents produced will not be shown to anyone until the parties have had an opportunity to discuss the issue further. Thus, there is currently no need for a protective order.

Plaintiffs have simply refused to produce *any* documents concerning Irwin's antitrust counterclaims and affirmative defenses. This wholesale refusal is not supported by law or the facts in this case.

VII.

PRODUCTION OF ALL DOCUMENTS IN THE CENTRAL DISTRICT OF CALIFORNIA IS REASONABLE

Plaintiffs' attempt to avoid producing the documents in the Central District of California is unwarranted. The Federal Rules of Civil Procedure require that document requests specify "a reasonable time, place, and manner of producing the documents." Fed. R. Civ. P. 34. Plaintiffs do not contend that the district is not a "reasonable" place for production. Rather, they merely refuse to produce the documents in this district, without explanation and without

justification. This is nothing more than an attempt to further inhibit production.

When plaintiffs requested documents from Irwin, all documents were sent directly to plaintiffs' counsel. Irwin asks only that it be accorded the same treatment. As plaintiffs' corporate headquarters are scattered throughout the country, Irwin's choice of a central location within the jurisdiction would greatly reduce the total discovery production costs and expenses.

The courts have recognized the need for a central location for production. In *Compagnie des Bauxites de Guinea v. Insurance Co. of North America*, 651 F.2d 877, 883 (3d Cir.), cert. denied, 457 U.S. 1105 (1981), the district court used its discretion "to order that the necessary documents be brought to Pittsburgh for examination by CBG [Compagnie des Bauxites de Guinea] instead of requiring CBG to inspect the records at the home office of each of the twenty-one insurance companies." CBG was the plaintiff in this case and chose to sue all of the defendants in Pennsylvania. Nevertheless, the Third Circuit found that this order compelling all 21 defendants to produce documents in Pittsburgh, Pennsylvania was well within the trial court's discretion.

This logic is even more compelling here, where it is the plaintiffs who are seeking to avoid a central production. The eight plaintiffs chose to bring a joint action in this district. Fairness dictates that plaintiffs, who chose to file this suit jointly in the Central District of California, not require Irwin to travel back and forth to eight different headquarters in order to review and copy the requested documents. In addition, plaintiffs are using counsel located in this district, who must compile the material. The logistics of discovery could best be served by the court's requiring production at one convenient and central location within the Central District of California.

VIII.

IRWIN IS ENTITLED TO AN AWARD OF EXPENSES AND ATTORNEY FEES ON THIS MOTION FROM PLAINTIFF AND PLAINTIFFS' COUNSEL

Plaintiffs' refusal to cooperate in discovery is totally unjustified. First, plaintiffs' objections are unsupported, boilerplate objections that were made by plaintiffs' counsel before plaintiffs undertook any effort whatsoever to identify documents responsive to the requests. Plaintiffs made no effort even to identify responsive documents until May, 1985—four months after plaintiffs were required to produce the documents.

Irwin tried in vain from February through July to secure production of non-objectionable documents and reduce or eliminate the issues in this motion. Plaintiffs, however, steadfastly maintained their unjustified refusal to cooperate. Plaintiffs failed to comply with the May 17, 1985 partial production date agreed between counsel and have produced no documents since May, even though plaintiffs' counsel has stated that there are additional documents responsive to the requests that are not objected to. Nor would plaintiffs' counsel agree to a new time in which to produce those documents. Plaintiffs' counsel, in a telephone conversation with counsel for Irwin on June 5, 1985, even referred to her own clients as "dinosaurs." Plaintiffs' counsel, in discussing plaintiffs' failure to respond to the document requests, stated that plaintiffs are simply "not cooperating."

The failure to cooperate is not supported by any legally recognized justification for resisting discovery. Rather, it can be attributed only to an attempt to impair or impede the development of Irwin's defense and counterclaims. The lack of any substantial justification for plaintiffs' refusal to cooperate compels the imposition of sanctions. Rule 37 of the Federal Rules of Civil Procedures provides:

If the motion is granted, the court *shall*, after opportunity for hearing, require the party or deponent whose conduct necessitated the motion or the party or attorney advising such conduct or both of them to pay to the moving party the reasonable expenses incurred in obtaining the order including attorneys fees, unless the court finds that the opposition to the motion was substantially justified or that other circumstances make an award of expenses unjust.

Fed. R. Civ. P. 37(a)(4) (emphasis added). The plaintiffs' conduct has been obstructionist and warrants sanctions.

The courts have awarded attorney fees and costs in similar circumstances. In *Marquis v. Chrysler Corp.*, 577 F.2d 624 (9th Cir. 1978), the Court of Appeals sustained a trial court's order for the defendants to pay plaintiffs "expenses and fees incurred as a result of their failure to produce documents required by discovery." *Id.* at 641. The Court in upholding this sanction, ruled that:

When a party's conduct during discovery necessitates its opponents' bringing motions which otherwise would have been unnecessary, the court may properly order it to pay the moving party's expenses unless its conduct was "substantially justified" or other circumstances make the award "unjust." Fed.R.Civ.P. 37(a)(4). Recent amendments to the rule make it clear that such awards may be imposed more frequently to discourage unnecessary involvement of the court in discovery. *See generally* 4A Moore's Federal Practice, ¶ 37.02[10.-2] at 37-44 (1975).

Id. at 641-42; *see also* *Hayden Stone, Inc. v. Brode*, 508 F.2d 895, 897 (7th Cir. 1974). Given plaintiffs' continuous obstruction of discovery, sanctions of attorney fees and costs are warranted.

CONCLUSION

The eight plaintiffs who brought suit in this case have refused to cooperate in discovery. All eight plaintiffs together have produced only ninety-six documents to date. Their responses have been inadequate and their objections unjustified. Accordingly, for the reasons set forth above, Irwin respectfully requests this Court to enter an order compelling plaintiffs to produce all of the documents requested in Irwin's January 7, 1985 Document Requests, and order plaintiffs and plaintiffs' counsel to pay the costs, including attorney fees, that Irwin incurred in preparing this motion and attending the Rule 7 meeting.

Dated: August 12, 1985

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE

MICHAEL J. DENNIS LAW
CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNS

By: _____
Jeffrey W. King
Attorneys for Defendants and Counter-
claimants Professional Real Estate
Investors, Inc., and Kenneth F. Irwin

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
CIVIL MINUTES—GENERAL

Case No. CV 83-2594-WPG
December 16, 1985

Title COLUMBIA PICTURES INDUSTRIES, ET AL -v-
PROFESSIONAL REAL ESTATE INVESTORS, ET AL
PRESENT:

HON. WILLIAM P. GRAY, JUDGE
Angela Dawson, Deputy Clerk
Delia Rotunno, Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFFS:

Steve Kroft
Maren Christianson

ATTORNEYS PRESENT FOR DEFENDANTS:

Jeffrey King
Patrick Coyne
Laura Barns

PROCEEDINGS:

- 1) MOTION OF PLAINTIFFS FOR SUMMARY JUDGMENT
AND PERMANENT INJUNCTION
- 2) CROSS-MOTION OF DEFENDANTS FOR SUMMARY
JUDGMENT

Case called and counsel present. Counsel argue. Court
Grants defendants' motion for summary judgment.
Counsel for defendant to prepare judgment and findings.
Court allows 10 days for plaintiffs to object to proposed
order.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,
Defendants.

FILED

JAN 22 1986

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
BY DEPUTY

JUDGMENT

This action having come on for hearing before the Court,
the Honorable William P. Gray, District Judge, presiding;
the claims of the complaint having been duly heard and
a decision having been duly rendered thereon; the Court
having expressly determined that there is no just reason
for delay; and the Court having expressly directed entry
of a final judgment as to the claims of the complaint only,

IT IS ORDERED AND ADJUDGED

that plaintiffs Columbia Pictures, Inc., Embassy Pic-
tures, Paramount Pictures Corporation, Twentieth Cen-

tury-Fox Film Corporation, Universal City Studios, Inc., Walt Disney Productions, Warner Bros. Inc. and CBS Inc. ("plaintiffs") take nothing; that the claims of the complaint be dismissed on the merits; and that the defendants Professional Real Estate Investors, Inc. and Kenneth F. Irwin ("defendants") recover from the plaintiffs their costs of action in the amount of _____.

Dated at Los Angeles, California, this 22 day of January, 1986.

WILLIAM P. GRAY
Clerk of the Court
Judge

Presented by:

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE

MICHAEL J. DENNIS LAW CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNES

By Laura J. Barnes
Laura J. Barnes
Attorneys for Defendants

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIM

FILED

MARCH 3 1986

**CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
BY DEPUTY**

**NOTICE OF MOTION AND MOTION TO COMPEL
COUNTERDEFENDANTS TO PRODUCE DOCUMENTS
AND FOR EXPENSES AND ATTORNEYS FEES**

Hearing Date: March 24, 1986

Hearing Time: 10:00 a.m.

Hearing Place: Court Room 23

[Table of Contents omitted in this printing]

**NOTICE OF MOTION AND MOTION TO COMPEL
PLAINTIFFS AND COUNTERDEFENDANTS TO
PRODUCE DOCUMENTS**

PLEASE TAKE NOTICE that on March 24, 1986 at 10:00 a.m., or as soon thereafter as counsel may be heard, defendants and counterclaimants, Professional Real Estate Investors, Inc., and Mr. Kenneth F. Irwin (collectively referred to as "Irwin"), will move, and do hereby move, the Court for an order pursuant to Rule 37 of the Federal Rules of Civil Procedure, requiring plaintiffs and counter-defendants, Columbia Industries, Inc., *et al.* (collectively referred to as "plaintiffs"), to produce for inspection and copying the documents requested in Irwin's Request for Production of Documents, served on January 7, 1985, and requiring plaintiffs and plaintiffs' counsel to pay Irwin's expenses and attorney's fees incurred in connection with this motion as a result of plaintiffs' failures to cooperate in discovery.

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE

MICHAEL J. DENNIS LAW CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNES

By Laura J. Barnes
Jeffrey W. King
Attorneys for Defendants/
Counterclaimants

Dated: March 3, 1986

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83 2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

FILED

MAY 24 1983

**CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

STIPULATION AND ORDER

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until June 23, 1983 to respond to plaintiffs' complaint in this action. There have been no prior extensions of time. This extension of 30 days is requested in order to permit local counsel for defendants to become familiar with the issues presented by this case before responding to the complaint.

DATED: May 10, 1983 Dorothy Wolpert
Joel E. Boxer
NUTTER, BIRD, MARELLA,
BOXER & WOLPERT
By Joel E. Boxer
Joel E. Boxer
Attorneys for Plaintiffs

DATED: May 19, 1983 Michael J. Dennis, Esq.

Jeffrey W. King, Esq.
COLLIER, SHANNON, RILL &
SCOTT

By Michael J. Dennis
Michael J. Dennis
Attorneys for Defendants

ORDER

IT IS SO ORDERED.

DATED: May 24 1983 MARIANA R. PFAELZER
UNITED STATES DISTRICT
JUDGE

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83 2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., et al.,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., et al.,
Defendants.

STIPULATION AND ORDER

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until July 23, 1983 to respond to plaintiffs' complaint in this action. This extension of 30 days is requested in order to permit the parties to explore the possibility of settlement of the issues presented by this case.

JA-102

DATED: June 23, 1983 Dorothy Wolpert

Joel E. Boxer

NUTTER, BIRD, MARELLA,
BOXER & WOLPERT

By: /s/ Dorothy Wolpert

Dorothy Wolpert
Attorneys for Plaintiffs

DATED: June 22, 1983 Michael J. Dennis, Esq.

Jeffrey W. King, Esq.

COLLIER, SHANNON, RILL &
SCOTT

By: JW King

Jeffrey W. King
Attorneys for Defendants

ORDER

IT IS SO ORDERED.
DATED:

UNITED STATES DISTRICT
JUDGE

JA-103

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

—
NO. CV 83 2594 WPG
—

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

—
FILED

AUG 2 1983

**CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**
—

STIPULATION AND ORDER

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until September 23, 1983, to respond to plaintiff's complaint in this action. The parties are actively negotiating settlement of the issues presented by this case, and this extension is requested in order to permit the parties to continue to explore the possibility of settlement.

DATED: July 27, 1983 Dorothy Wolpert
Joel E. Boxer
NUTTER, BIRD, MARELLA,
BOXER & WOLPERT

By: Dorothy Wolpert
Dorothy Wolpert
Attorneys for Plaintiffs

DATED: July 26, 1983 Michael J. Dennis
Jeffrey W. King, Esq.
COLLIER, SHANN, RILL
& SCOTT

By: Jeffrey W. King
Jeffrey W. King
Attorneys for Defendants

ORDER

IT IS SO ORDERED.

DATED: AUG 2 1983 MARIANA R. PFAELZER
UNITED STATES DISTRICT
JUDGE

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83 2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

STIPULATION AND ORDER

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until November 23, 1983, to respond to plaintiff's complain in this action. The parties are actively negotiating settlement of the issues presented by this case, and this extension is requested in order to permit the parties to continue to explore the possibility of settlement.

DATED: Sep. 21, 1983 Dorothy Wolpert
Joel E. Boxer
NUTTER, BIRD, MARELLA,
BOXER & WOLPERT

By: Dorothy Wolpert
Dorothy Wolpert
Attorneys for Plaintiffs

DATED: Sep. 20, 1983 Michael J. Dennis
Jeffrey W. King
COLLIER, SHANNON, RILL
& SCOTT
By: Jeffrey W. King
Jeffrey W. King
Attorneys for Defendants

ORDER

IT IS SO ORDERED.
DATED:

UNITED STATES DISTRICT
JUDGE

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83 2594

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

STIPULATION AND ORDER

FILED

NOV 28 1983

**CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until December 23, 1983, to respond to plaintiff's complaint in this action. The parties are actively negotiating settlement of the issues presented by this case, and this extension is requested in order to permit the parties to continue to explore the possibility of settlement. It is intended that no further extensions will be needed.

DATED: Nov 22, 1983 Dorothy Wolpert

Joel E. Boxer

NUTTER, BIRD, MARELLA,
BOXER & WOLPERT

By: /s/ Dorothy Wolpert

Dorothy Wolpert
Attorneys for Plaintiffs

DATED: Nov 21, 1983 Michael J. Dennis

Jeffrey W. King

COLLIER, SHANNON, RILL &
SCOTT

By: /s/ Jeffrey W. King/by
C.J.M.

Jeffrey W. King
Attorneys for Defendants

ORDER

IT IS SO ORDERED.

DATED: Nov 28 1983 /s/ William P. Gray

UNITED STATES DISTRICT
JUDGE

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83 2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

STIPULATION AND ORDER

FILED

JAN 3 1984

**CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

BY

DEPUTY

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until January 12, 1984, to respond to plaintiffs' complaint in this action. The parties are actively negotiating settlement of the issues presented by this case and, as these negotiations have been interrupted by the approaching holidays, this extension is requested in order to permit the parties to continue to explore the possibility of settlement.

JA-110

DATED: Dec 27, 1983 Dorothy Wolpert
Joel E. Boxer
NUTTER, BIRD, MARELLA,
BOXER & WOLPERT

By: /s/ Joel E. Boxer
Joel E. Boxer
Attorneys for Plaintiffs

DATED: Dec 23, 1983 Michael J. Dennis
Jeffrey W. King
Christopher J. MacAvoy
COLLIER, SHANNON, RILL &
SCOTT

By: /s/ Christopher J. MacAvoy
Christopher J. MacAvoy
Attorneys for Defendants

ORDER

IT IS SO ORDERED.

DATED: 1/3/84 /s/ William P. Gray
UNITED STATES DISTRICT
JUDGE

JA-111

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

STIPULATION AND ORDER

FILED

JAN 26 1984

**CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

The parties hereto, by their respective undersigned counsel, hereby stipulate that defendants may have until February 9, 1984, to respond to plaintiffs' complaint in this action. The parties are actively negotiating settlement of the issues presented by this case, and this extension is requested in order to permit the parties to more fully explore the possibility of settlement. The parties have scheduled a number of meetings for the purpose of discussing settlement. The last of these meetings is scheduled to take place on February 2, 1984. This stipulation is not entered into for the purpose of delay, but rather to enable the parties to fully explore the possibility of settlement.

JA-112

Dated: Jan 17, 1984 Jeffrey W. King
COLLIER, SHANNON, RILL &
SCOTT

Michael J. Dennis
Laura J. Barns
MICHAEL J. DENNIS LAW
CORPORATION

By: /s/ Laura J. Barns
Laura J. Barns
Attorneys for Defendants

Dated: Jan , 1984 Dorothy Wolpert
Joel E. Boxer
NUTTER, BIRD, MARELLA,
BOXER & WOLPERT

By: _____
Dorothy Wolpert
Attorneys for Plaintiffs

ORDER

IT IS SO ORDERED.

Dated: 1/24/84 /s/ William P. Gray
UNITED STATES DISTRICT
JUDGE

JA-113

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83 2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

FILED

AUG 24 1984

**CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

STIPULATION AND ORDER

IT IS HEREBY STIPULATED by and between the parties, by and through their respective counsel, that plaintiffs may have through and including August 28, 1984 to answer or otherwise plead to the counterclaims served upon them in this matter.

Plaintiffs have obtained by stipulation and court order prior extensions of time from March 1 to August 14, 1984 to answer or otherwise plead to the counterclaims so that the parties may engage in settlement negotiations. This additional two week extension of time is requested because defendants' and counter-claimants' lead counsel, Jeffrey W. King of Collier, Shannon, Rill & Scott, Washington,

D.C. is presently ill and unable to communicate on the subject of settlement at the present time. It is anticipated that Mr. King will be able to return to work or communicate with his office on the subject of defendants' position on settlement within one week. At that time the parties anticipate the case will either be resolved by settlement or proceed forward to its discovery phase.

DATED: August 9, 1984 NUTTER, BIRD, MARELLA,
BOXER, WOLPERT & MATZ
A Professional Corporation

By: Joel E. Boxer
Joel E. Boxer
Attorneys for Plaintiffs

DATED: August 10, 1984 MICHAEL J. DENNIS
LAW CORPORATION

By: Laura J. Barns
Laura J. Barns
Attorneys for Defendants

ORDER

It is so ordered.

DATED: August 24, 1984 Mariana R. Pfaelzer
UNITED STATES DISTRICT
JUDGE

UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA

Case No: 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,
Defendants.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,
Counterclaimants,

vs.

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Counterdefendants.

JOINT REPORT OF EARLY MEETING [Local Rule 6.2]

Counsel for the parties hereby jointly submit the following Report in accordance with Local Rule 6.2.

Counsel for the parties have met for the purpose of discussing the status of the case. As the record herein establishes, settlement has been seriously pursued over a substantial period of time.

In the interests of constructively pursuing that settlement and cutting costs for the parties, litigation activities were stayed in order to give the parties an opportunity to resolve their dispute.

Unfortunately, these settlement explorations were not fruitful. When it became obvious that a settlement was

not imminent, counsel for the parties conferred and commenced discovery. Defendants produced documents and the first session of defendant Kenneth Irwin's deposition was completed in December 1984. The second session of that deposition is set for January 15, 1985.

Counsel for the parties agree that there are probably few, if any, factual disputes in this case and that it revolves instead around a single issue of law, to wit: do the defendants' activities constitute copyright infringement.

It is the intention of plaintiffs to bring on a motion for summary judgment after the completion of defendant Irwin's deposition and receipt of the transcript of that deposition and complete analysis of the documents produced.

On January 15, 1985, on the occasion of the second session of Mr. Irwin's deposition, counsel will discuss the possibility of arriving at a set of stipulated facts for the purpose of plaintiffs' motion (and possibly defendants' cross-motion) for summary judgment. At that time it is contemplated that counsel for defendants will inform counsel for plaintiffs of any discovery which defendants wish to undertake.

Since counsel believe that it is more likely than not that the Court will be able to dispose of this action on summary judgment, it is respectfully requested that the Court postpone setting pre-trial and trial dates in the action until after the hearing on such a motion.

Dated: Jan __, 1985.

Respectfully submitted,
Dorothy Wolpert
Joel E. Boxer
NUTTER, BIRD, MARELLA,
BOXER, WOLPERT & MATZ

By: _____
Dorothy Wolpert, Attorneys for
Plaintiffs and Counter-defendants

Dated: Jan __, 1985.

Collier, Shannon, Rill & Scott
Attorneys-at-Law

By: _____
Jeffrey W. King, Attorneys for
Defendants and Counter-
claimants La Mancha and
Kenneth F. Irwin

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No: 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.
AND RELATED COUNTERCLAIM

NOTICE OF MOTION AND MOTION FOR SANCTIONS
PURSUANT TO LOCAL RULE 27; MEMORANDUM AND
DECLARATIONS IN SUPPORT OF MOTION; AND
PROPOSED ORDER

Hearing Date: September 9, 1985

Hearing Time: 10:00 A.M.

Hearing Place: Courtroom No. 23

PLEASE TAKE NOTICE that on September 9, 1985 at 10:00 a.m., or as soon, thereafter as counsel may be heard, defendants and counterclaimants, Professional Real Estate Investors, Inc., and Mr. Kenneth F. Irwin (collectively referred to as "Irwin"), will move the Court for an order pursuant to Local Rule 27, imposing on plaintiffs and counterdefendants, Columbia Pictures Industries, Inc., *et al.*, (collectively referred to as "plaintiffs"), sanctions including dismissal with prejudice of plaintiffs' action, and an award of defendants' costs and attorneys' fees for failure to fulfill their pre-trial obligations, for failure to comply with the Local Rules of the U.S. District Court for the Central District of California, and for failure to comply with the Federal Rules of Civil Procedure.

Dated: August 8, 1985

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE

MICHAEL J. DENNIS LAW CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNES

By: /s/ Jeffrey W. King
Jeffrey W. King
Attorneys for Defendants and
Counter-claimants Professional Real
Estate Investors, Inc., and Kenneth
F. Irwin

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No: 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants,

AND RELATED COUNTERCLAIM

MEMORANDUM IN SUPPORT OF
DEFENDANTS' AND COUNTERCLAIMANTS'
MOTION FOR SANCTIONS PURSUANT TO
LOCAL RULE 27

Defendants and counterclaimants, Professional Real Estate Investors, Inc., and Kenneth F. Irwin (collectively "Irwin"), respectfully submit this memorandum in support of their motion for sanctions pursuant to Local Rule 27 of the United States District Court for the Central District of California, against plaintiffs for violations of the Local Rules of this Court, for violations of the Federal Rules of Civil Procedure and for failure to fulfill their pre-trial obligations. Plaintiffs in this action have consistently refused to participate in pre-trial preparation, thereby depriving Irwin of the right to be confronted with the evidence against them and impairing their ability to prepare their defense and counterclaims.

Specifically, plaintiffs have violated the three basic local rules (Rules 6, 7, and 9) and the principal Federal Rule (Rule 16) designed to ensure proper pre-trial preparation. Plaintiffs violated Local Rule 6 which requires the parties to meet within twenty days after the complaint was an-

swered and to exchange documents at the meeting. Plaintiffs, notwithstanding a suggestion by Irwin's counsel, failed to hold the early meeting until eleven months after the complaint was answered and then only when ordered to do so by this Court. Once the meeting was held, however, plaintiffs failed to exchange, as required by Local Rule 6, any documents which were reasonably available to them which were contemplated to be used in support of the allegations in the complaint.

Plaintiffs have also violated Local Rule 7 by refusing to participate in discovery.¹ Specifically, plaintiffs' have virtually refused to produce any documents requested in discovery, and failed to participate in a meeting of counsel to attempt to resolve the discovery disputes, which is required by Local Rule 7.15.1.

Finally, plaintiffs violated Local Rule 9 and Rule 16 of the Federal Rules of Civil Procedure by failing to prepare for and participate in the required meeting of counsel prior to this Court's scheduled September 9, 1985 pre-trial conference.

Plaintiffs' conduct is not an isolated failure to comply with the rules or a result of inadvertance or mistake; rather, plaintiffs' behavior reflects a deliberate pattern of denying Irwin access to any pre-trial information necessary to prepare a defense and counterclaims. In light of this continuous refusal to cooperate in pre-trial preparations in violation of the rules of this Court, sanctions are warranted including dismissal and an award of costs and attorney fees.

STATEMENTS OF FACTS

The eight plaintiffs in this action filed suit on April 25, 1983 alleging copyright infringement by Irwin. The parties

¹ A separate motion to compel has been prepared and will likely be filed within the next week.

agreed to several extensions of time for Irwin to answer the complaint in order for the parties to attempt to negotiate settlement. Settlement was never reached, and on February 9, 1985, Irwin filed an answer to the complaint, along with affirmative defenses and counterclaims. After several extensions of time at the request of plaintiffs, plaintiffs filed their answer to the counterclaims on August 27, 1984. At that time, plaintiffs noticed the deposition of Kenneth Irwin and served a request for production of documents. That deposition commenced in November, at which time Irwin produced the documents requested by plaintiffs. The deposition was continued and completed on January 15, 1985. An explanation of plaintiff's violations of their obligations under the rules are provided below.

I. PLAINTIFFS VIOLATED THE REQUIREMENT TO HOLD AN EARLY MEETING OF COUNSEL UNDER LOCAL RULE 6

Plaintiffs have violated the early meeting requirement under Local Rule 6. This rule requires the parties to meet twenty days after the complaint is answered. Plaintiffs failed to participate in an early meeting pursuant to Local Rule 6.1 until eleven months after an answer was served. Plaintiffs did not request an extension of time within which to hold the meeting, nor was one granted. Counsel for Irwin noted to plaintiffs on at least one occasion that plaintiffs were obligated to set up the Rule 6 early meeting. Plaintiffs' counsel simply replied that she knew about the rule and her obligations but took no steps to set up the meeting. *Declaration of Laura Barns* (attached hereto as Exhibit 1). No early meeting was held until forced by the actions of this Court. On December 27, 1984, this Court issued an order to show cause why this action should not be dismissed for failure to file the Joint Report of Early Meeting required by Local Rule 6. When plaintiffs made no attempt to contact Irwin concerning the Court's order, Irwin prepared an early meeting report and for-

warded it to plaintiffs. After some negotiations, plaintiff's agreed to conduct the early meeting on January 15, 1985.

Under Local Rule 6, counsel at this early meeting are "[t]o exchange all documents then reasonably available to a party which are then contemplated to be used in support of the allegations of the pleadings filed by the party." Prior to the early meeting on January 15, 1985, Irwin specifically requested the plaintiffs to provide them with all documents required under Rule 6. *Letter from Jeffrey W. King to Dorothy Wolpert* (January 10, 1985) (attached hereto as Exhibit 2). Notwithstanding their obligations under the rule, and Irwin's specific request and reminder of those obligations, plaintiffs failed to produce a single document at the early meeting.

Plaintiff's failure to cooperate in an early meeting cannot be considered inadvertent. They were reminded of their obligations and simply refused to participate in any meaningful way. Rule 6 is the first of several local rules which are intended to insure proper and expeditious trial preparation. Plaintiffs' disregard of their obligations under the rule was only the first of plaintiffs' failures to comply with the pre-trial preparation rules of this Court.

II. PLAINTIFFS VIOLATED LOCAL RULE 7 BY FAILING TO COOPERATE IN DISCOVERY AND PARTICIPATE IN THE REQUIRED MEETING OF COUNSEL.

On January 7, 1985, Irwin served on each of the eight plaintiffs a set of requests for production of documents. On February 7, 1985, plaintiffs mailed their objections to the document request. One week later, co-counsel for Irwin contacted plaintiffs' counsel to request information about the documents plaintiffs had agreed to produce. *Letter from Laura Barns to Dorothy Wolpert* (February 15, 1985) (attached hereto as Exhibit 3). Plaintiffs, however, failed to respond to that inquiry. Accordingly, on March 1, 1985, Irwin's counsel sent to plaintiffs a letter specifically requesting a meeting under Local Rule 7.15.1 to resolve the

discovery dispute. *Letter for Jeffrey W. King to Dorothy Wolper* (March 1, 1985) (attached hereto as Exhibit 4). The letter was sent by overnight mail. Under the Local Rules, plaintiffs' counsel was obligated to meet within ten days of service of the March 1 letter. Even allowing three days for mailing time (when in fact the correspondence was sent by overnight delivery), that meeting had to take place by March 14. On March 12, ten days after plaintiffs received Irwin's meeting request, Irwin's counsel sent another letter by express mail reiterating the earlier request for the discovery conference. *Letter from Jeffrey W. King to Dorothy Wolpert* (March 12, 1985) (attached hereto as Exhibit 5). Rather than set up the meeting, or attempt to discuss this matter by telephone, plaintiffs' counsel sent a letter on March 13, 1985 stating that she would be available for a meeting during the week of March 25, 1985—more than three weeks after the conference had originally been requested and almost two weeks after the deadline for holding the conference pursuant to the local rules had passed.

This failure to comply with the requirements of Rule 7 could be written off as mere inadvertence, if in fact plaintiffs had cooperated thereafter. Irwin's continued attempts to try to arrange for the meeting, however, proved unsuccessful. During April, May, and June, Irwin tried to negotiate a partial response to the request and to arrange for the Rule 7 meeting. These attempts have been essentially unproductive and counsel for plaintiffs stated that plaintiffs were "not cooperating." *Declaration of Patrick J. Coyne*, (attached hereto as Exhibit 6).

In early June, 1985, plaintiffs' counsel informed counsel for Irwin that she would be in Washington, D.C. and that the Rule 7 meeting could take place during her visit. Irwin's counsel agreed and counsel for plaintiffs stated that she would provide Irwin with a schedule. Nothing further was heard from plaintiffs until a letter in late June, informing Irwin that plaintiffs' counsel was unable to ar-

range the meeting while in Washington. That letter was after plaintiffs' counsel had returned to the West Coast.

Finally, when this Court ordered a pre-trial conference, on July 5, 1985, Irwin's counsel arranged for the meeting of counsel required by Local Rule 9. In arranging that meeting, Irwin's counsel also explained to plaintiffs' counsel that the meeting would include the meeting required under Local Rule 7 and plaintiffs' counsel expressly agreed to those arrangements. The combined Rule 7 and Rule 9 meeting was to take place on July 31, 1985 in the Los Angeles offices of Michael Dennis.

On July 31, 1985, defendant's counsel, Jeffrey W. King, traveled from Washington, D.C. to meet with plaintiffs' counsel in California. When counsel for plaintiffs appeared, they initially refused to discuss discovery issues. Plaintiffs' counsel claimed they were unaware that the meeting would include the discovery dispute and were unprepared to discuss these issues.² Counsel for Irwin had prepared a stipulation, pursuant to Local Rule 7.15.2, which set forth the disputes over Irwin's discovery requests. Counsel for plaintiffs stated that they would take the stipulation with them and consider it. Only after Irwin's counsel insisted, did plaintiff's counsel agree to discuss the individual document requests, but limited the discussion to fifteen minutes. The discussion, however, proved virtually fruitless. Plaintiff's counsel essentially failed to commit to any ad-

² Up until the July 31, 1985 meeting, almost all contact with plaintiffs was through their counsel Dorothy Wolpert. Ms. Wolpert, however, did not attend the July 31 meeting. Instead, her partners Joel Boxer and Robert Rosen attended the meeting and claimed to be unaware of any arrangement made by Ms. Wolpert to include the Rule 7 conference at the July 31 meeting. Mr. Boxer stated that he understood the meeting to be only pursuant to Rule 9. Even accepting this excuse, Local Rule 9.4.8 expressly requires the parties to discuss discovery disputes at the Rule 9 meeting. There is, therefore, no excuse for plaintiffs' failure to be prepared and to cooperate in discussing the discovery disputes.

ditional discovery stating only that they would "reconsider" Irwin's request. Plaintiff's counsel was required under Local Rule 7.15.4 to respond within seven days to the request by Irwin for plaintiffs contentions on the discovery issues made at the meeting of counsel. Nine days have now passed since the meeting and counsel for Irwin has yet to hear from plaintiff's counsel concerning this matter.³

Declaration of Jeffrey W. King (attached hereto as Exhibit 7); *Declaration of Laura J. Barnes* (attached hereto as Exhibit 1).

Plaintiffs have frustrated the essential purpose of Local Rule 7 which seeks to achieve cooperation during discovery. Not only have plaintiffs resisted discovery, but they have failed to participate in the meeting of counsel in an attempt to resolve these discovery disputes or, at a minimum, to allow Irwin to move forward with a motion to compel. This, coupled with the earlier violations of Local Rule 6 and the failure to produce any documents during the early meeting of counsel, have frustrated Irwin's attempts to prepare for trial. Plaintiffs' disregard for the rules, however, did not stop there.

III. PLAINTIFFS HAVE VIOLATED LOCAL RULE 9 AND RULE 16 OF THE FEDERAL RULES OF CIVIL PROCEDURE BY NOT PARTICIPATING IN THE PRE-TRIAL CONFERENCE MEETING OF COUNSEL.

On July 5, 1985, this Court issued a notice of pre-trial conference schedule for September 9, 1985. Pursuant to the local rules, the parties must meet 40 days prior to that conference to discuss a variety of topics and exchange witness and exhibit lists along with any exhibits that have not already been exchanged. Local Rule 9.1. When counsel for Irwin had not heard from plaintiffs for almost three

³ The only contact plaintiffs made was to inform Irwin that seven of the eight plaintiffs had retained new counsel and that plaintiffs had filed a motion to continue the pre-trial conference.

weeks after the court ordered the pre-trial conference, Irwin's counsel contacted plaintiffs and set up this meeting. The meeting was to be held on July 31, 1985. Mr. King, Irwin's counsel, agreed to go to California for the meeting. The meeting was held in Irwin's local counsel's office in Los Angeles.

Irwin provided plaintiffs with a list of documents along with any documents not previously exchanged, a list of witnesses, and a list of expert witnesses. In addition they provide plaintiffs a proposed stipulation of facts. Moreover, Irwin provided and discussed in detail their legal and factual contentions as well as the other topics required under Local Rule 9.4.

In contrast, plaintiffs failed to produce a single piece of information at the conference. They provided no documents, nor any list of documents; they provided no list of witnesses or expert witnesses; they refused to discuss the stipulation of facts stating instead that they would review Irwin's proposed stipulation and contact us; and their only explanation of their contentions was that Irwin violated the copyright laws by allowing public performances of plaintiffs' works at Irwin's resort and club. *Declaration of Jeffrey W. King* (attached hereto as Exhibit 7); *Declaration of Laura J. Barnes* (attached hereto as Exhibit 1). Over seven days after that pre-trial meeting of counsel, counsel for Irwin have yet to receive any information or response from plaintiffs concerning these matters.⁴

Plaintiffs refusal to participate in this meeting violates the clear, specific requirements of Local Rule 9. Moreover, their actions also violate Rule 16 of the Federal Rules of Civil Procedure. Specifically, the rules set forth pre-trial procedures and provides, in pertinent part, that:

⁴ As indicated earlier, plaintiffs' only response to date has been an attempt to postpone their additional pre-trial obligations under the Rules.

If a party or party's attorney fails to obey a scheduling or pre-trial order . . . or if a party or party's attorney is substantially unprepared to participate in the conference, or if a party or party's attorney fails to participate in good faith, the judge, upon motion or his own initiative, may make such orders with regard thereto as are just, and among others any of the orders provided in Rule 37(b)(2)(B), (C), (D).

Fed. R. Civ. P. 16(f). Rule 16 was significantly amended in 1983 to ensure proper pre-trial preparation and cooperation and to "reinforce the rules intention to encourage forceful judicial management." See *Advisory Committee Note to the 1983 Amendment to Fed. R. Civ. P. 16*, reprinted in, 97 F.R.D. 165, 213). Plaintiffs' actions clearly violate these rules and warrant severe sanctions.

IV. PLAINTIFFS REPEATED VIOLATIONS OF THE TRIAL PREPARATION RULES WARRANT DISMISSAL.

Plaintiff's violations of these rules have totally frustrated the ability of Irwin to prepare for trial. The local rules violated by plaintiffs are not hypertechnical. Rather they are the basic rules laid down by this Court to insure proper and expeditious trial preparation. Similarly, Rule 16 of Federal Rules of Civil Procedure is designed to ensure proper pre-trial preparation by giving the court control over pre-trial preparation and authority to deal with failure to "participate in good faith" in that preparation. Fed. R. Civ. P. 16(f). Plaintiffs, who brought this suit, now refuse to participate in pre-trial preparation in any meaningful way. Dismissal of plaintiffs' claims is the most appropriate sanction given plaintiffs' chronic refusal to cooperate and to prosecute their case.

Sanctions must be imposed or the integrity of the rules and the ability of the opposing party to prepare for litigation will be jeopardized. The Supreme Court recognized

the need for severe sanctions when there were willful and continuous failures to comply with the rules causing delays in the proceedings. In *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 537 (1976), the Supreme Court upheld a district court's dismissal of plaintiff's case for failure of plaintiff timely to answer interrogatories. In so ruling, the Court noted that

But here, as in other areas of the law, the most severe in the spectrum of sanctions provided by statute or rule must be available to the district court in appropriate cases, not merely to penalize those whose conduct may be deemed to warrant such a sanction, but to deter those who might be tempted to such conduct in the absence of such a deterrent. If the decision of the Court of Appeals remained undisturbed in this case, it might well be that these respondents would faithfully comply with all future discovery orders entered by the District Court in this case. But other parties to other lawsuits would feel freer than we think Rule 37 contemplates they should feel to flout other discovery orders of other district courts. Under the circumstances of this case, we hold that the District Judge did not abuse his discretion in finding bad faith on the part of these respondents, and concluding that the extreme sanction of dismissal was appropriate in this case by reason of respondents' "flagrant bad faith" and their counsel's "callous disregard" of their responsibilities.

Id. at 643; *Accord, Weisberg v. Webster*, 749 F.2d 864 (D.C. Cir. 1984) (dismissal for violation of discovery order).

Plaintiffs' actions have been in "flagrant bad faith" and show "callous disregard" of their responsibilities and the rules of this Court. Plaintiffs' violations are not merely technical, but impinge upon the ability of Irwin to prepare

their defense and counterclaims, and of the court to control this litigation. This is not a matter of a single rules violation on a single occasion. Rather, plaintiffs have violated three of the most important local rules, and a principal federal rule, designed to facilitate pre-trial preparation. This conduct can only be labelled as "flagrant bad faith" and "callous disregard" of the rules.

Dismissal has been recognized by this Court and by the Court of Appeals for the Ninth Circuit as the appropriate sanction for similar actions and rule violations. In *Chism v. National Heritage Life Ins. Co.*, 637 F.2d 1328 (9th Cir. 1981), the Ninth Circuit Court of Appeals upheld a dismissal by this Court. The case involved a suit for damages under an insurance policy. The Court ordered a pre-trial conference for July 17, 1978, warning that the rules of the court concerning the conference must be complied with or sanctions would be imposed. The conference was continued at the request of both parties until August 21, 1978 because of discovery problems. Plaintiff, however, failed to respond timely to defendant's discovery requests. Plaintiff also failed to prepare timely, as required by the local rules, a proposed pre-trial conference order; failed to provide defendants with a list of witnesses and exhibits in violation of Local Rule 9; failed to file timely its memorandum of fact and law; and filed responses to various motions late. This Court ordered dismissal, rejecting plaintiffs' arguments that the failure should be excused because it had obtained new counsel and intended to file a motion to have the case remanded to state court. *Id.* at 964-65.

The Court of Appeals for this circuit upheld the trial court's dismissal. The Appeals Court ruled that:

The record, as summarized earlier in this opinion, makes it manifest that the sanction of dismissal with prejudice was applied only after a persistent pattern of abusive conduct on plaintiff's

part. Chism or his attorneys continually flouted discovery rules, failed to comply with pre-trial conference obligations, and repeatedly violated the local rules of court. This conduct continued even after a representation to the court that discovery would proceed expeditiously, after a clear warning that the court condemned infractions of the pre-trial conference rules, and despite repeated efforts by National to secure compliance without necessity of intervention by the trial court. Plaintiff's misconduct prejudiced his opponent, violated important policies designed to insure efficiency in legal proceedings at the trial court level and persisted to the very end.

* * *

Appellant's actions also undermined effective utilization of the pre-trial conference procedure. Indeed, failure to provide discovery, lists of witnesses and of exhibits preclude any meaningful pre-trial conference.

Id. at 1331-32; *Accord, Transamerica Corp. v. Transamerica Bankgrowth Corp.*, 627 F.2d 963 (9th Cir. 1980) (in which the court upheld a default judgment against a defendant for failure "(a) to prepare in good faith for the pre-trial conference, and (b) to have complied in good faith with the rules governing pre-trial discovery procedures as required by the rule" which are similar to the rules of this Court); *Crocker Natl. Bank v. M.F. Sec. (Bahamas), Ltd.*, 104 F.R.D. 123, 127 (C.D. Cal. 1985) (dismissing an action under Local Rule 27.2 where defendants failed to file timely answers to the complaint, failed to provide, as required by Local Rule 6, copies of any relevant documents contemplated to be used in support of their claim, and failed to appear at depositions).

The present case is virtually indistinguishable from *Chism*. As with the plaintiffs in *Chism*, plaintiffs here re-

fused to cooperate in discovery and failed to comply with Local Rule 9 by providing Irwin with witness and exhibit lists. Moreover, plaintiffs in this case have also failed to respond within the required seven days after the Rule 7 meeting; failed to produce documents at the early meeting of counsel in violation of Rule 6; and failed to be prepared for or participate in the July 31, 1985 meeting pursuant to Rules 7 and 9. As the Court recognized in *Schism*, this is a "persistent pattern of abusive conduct" which warrants dismissal.

Other courts have also recognized the propriety of dismissal where a party failed to participate in pre-trial preparations under the rules of the Court. For example, in *American Elecs. Laboratories, Inc. v. Dopp*, 369 F.Supp. 1245 (D. Del. 1974), the court dismissed a breach of contract action for the failure of defendant to participate in the drafting of a pre-trial order or to take a meaningful part in a pre-trial conference. After some delays in that case for substitution of counsel and amendments to the complaints, a pre-trial conference was held in which defense counsel failed to cooperate. Specifically, the plaintiff prepared a pre-trial order which defense counsel failed to sign as required by the local rules. The court then ordered defense counsel to sign or participate in preparing a new pre-trial order. Defense counsel failed to do either. Accordingly, the court entered a default judgment.

Similarly, in *Dalrymple v. Pittsburgh Consolidation Coal Co.*, 24 F.R.D. 260 (W.D. Pa. 1959), the District Court denied plaintiff's request to set aside a judgment of dismissal for lack of prosecution and compliance with the pre-trial orders. The plaintiff failed to comply with the Local Rule 5-II which required plaintiff to prepare and serve on defendant a pre-trial brief, witness and exhibit lists, and certain other materials. The court, dismissing the case, noted that:

Rule 5-II, promulgated under Rule 16 and 83 of the Federal Rules of Civil Procedure was designed to promote the expeditious processing of civil litigation in this court . . . unless appropriate sanctions are firmly imposed by the Court for flagrant disobedience of its orders, the statutory purpose of Rule 5-II will be entirely frustrated and the process of litigation in this District hopelessly impeded.

Id. at 262; The court held that absent proof that the failures to comply were the result of "mistake, inadvertance, surprise, or excusable neglect," dismissal was proper. *Id.*; See also *Marriott Homes, Inc. v. Hanson*, 50 F.R.D. 396 (W.D. Mo. 1970) (default judgment for failure to supply witness and exhibit lists and to appear for depositions); *Pioche Mines Consol., Inc. v. Dolman*, 333 F.2d 257, 266, 270 (9th Cir. 1964) (default judgment because defendant's president refused to appear at a deposition or submit to medical examinations concerning health problems that prevented him from appearing at deposition); *Burris v. Sun Ref. and Mktg. Co.*, 103 F.R.D. 586 (E.D. Ark. 1984) (dismissal with prejudice for failure to comply with discovery requests); *Snead v. Automation Indus., Inc.*, 102 F.R.D. 823 (D. Md. 1984) (dismissal with prejudice because of numerous delays occasioned by plaintiff's pattern of non-cooperation and failure to heed "warnings or obey court orders").

Accordingly, plaintiffs' continuous refusal to cooperate in this matter warrants dismissal. Any milder sanction would signal these plaintiffs and other litigants in this District that the Court's rules can be flouted without any serious repercussions. Although dismissal is a drastic sanction—and would not be warranted if there was a single or inadvertant failure to comply with the Rules—dismissal is warranted here where there has been a continuous pattern of non-compliance with the rules, and that non-compliance has significantly prejudiced Irwin in preparing their

defense and counterclaims. Moreover, plaintiffs have needlessly forced Irwin to incur expenses and attorney fees in undertaking the Rule 7 and Rule 9 conferences and in preparing the Early Meeting report under Rule 6. These costs and fees should be reimbursed.

V. CONCLUSION

Given the deliberate and continuous nature of plaintiffs' refusals to cooperate in the pre-trial stages of this matter and their numerous violations of the Rules of this Court, dismissal is warranted. For these reasons, as expressed above, Irwin respectfully requests this Court to issue an order dismissing this case and ordering plaintiffs to pay the costs, along with reasonable attorney fees, that Irwin incurred in preparing the early meeting report under Rule 6, and in attending the Rule 7 and Rule 9 meetings.

Respectfully submitted,

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE

MICHAEL J. DENNIS LAW CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNES

By: Jeffrey W. King
Jeffrey W. King
Attorneys for Defendants and
Counter-claimants Professional Real
Estate Investors, Inc., and Kenneth
F. Irwin

DECLARATION OF LAURA J. BARNES

I, Laura J. Barnes, declare:

1. I am a member of the Bar of this Court, and am an associate with the law firm of Michael J. Dennis Law Corporation. I have been local counsel representing defendants and counterclaimants Professional Real Estate Investors, Inc., and Kenneth F. Irwin in this matter since approximately February, 1983. I have knowledge of facts set forth below, and, if called as a witness, I would testify to these facts, based upon my knowledge.

2. On or about October 30, 1984, I attended a hearing in this matter before this Court. At the conclusion of that hearing, I confronted plaintiffs' counsel concerning the Early Meeting of Counsel that was required under the Local Rule 6 of this Court. Specifically, I stated that I understood it to be plaintiffs' obligation to set up the meeting under that rule. Plaintiffs' counsel responded that she knew it was her obligation but did not make any attempt to set up the meeting.

3. I attended, with co-counsel Jeffrey W. King, the meetings, pursuant to Local Rules 7 and 9, on July 31, 1985. These meetings were held in my office in Los Angeles, California.

4. At the meetings on July 31, 1985, plaintiffs' counsel initially refused to discuss defendants' discovery request or the proposed stipulation, pursuant to Local Rule 7.15.2, that was provided to plaintiffs' counsel. Only after we insisted did plaintiffs' counsel make any attempt to go through the individual document requests and plaintiffs' objections. Plaintiffs, however, put a time limit on this discussion of approximately 15 minutes, after which time they left the meeting. Plaintiffs indicated they would let us know promptly at the beginning of the week of August 5, 1985 whether they would reconsider providing information pursuant to the document request. To date, I have

heard nothing from plaintiffs concerning the outstanding discovery request.

5. At the July 31, 1985 meeting, Mr. King produced for plaintiffs, pursuant to Local Rule 9, a document list, a list of witnesses, a list of expert witnesses, and a proposed stipulation of facts. Counsel for plaintiffs indicated that they were not prepared to discuss any of these materials at the meeting. In addition, they indicated they were not prepared for the meeting and had no list of witnesses or documents to provide to us at that time. Mr. King requested that plaintiffs' counsel give us a list of documents and/or witnesses orally, yet, plaintiffs refused to do so. Mr. King also requested that we go through the stipulation, and plaintiffs again refused to do so. Instead, they said they would take the stipulation and let us know by early in the week of August 5, 1985 what particular facts they were willing to stipulate. To date, I have heard nothing from plaintiffs with regard to this matter.

I DECLARE, under penalty of perjury, that the foregoing is true and correct and that this declaration was executed this 9th day of August, 1985 in Los Angeles, California.

Laura J. Barns
LAURA J. BARNs

Collier, Shannon, Rill & Scott
Attorneys-at-Law
1055 Thomas Jefferson Street, N.W.
Washington, D. C. 20007

Telephone: (202) 342-8400
Telex: 440665 CSRS UI
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January 10, 1985

FEDERAL EXPRESS

Dorothy Wolpert, Esq.
Nutter, Bird, Marella, Boxer,
Wolpert & Natz
340 North Camden Drive
Suite 300
Beverly Hills, CA 90210

Re: Columbia Pictures Industries, Inc., et al. v. Profes-
sional Real Estate Investors, Inc., et al. Case No.
83-2594 WPG

Dear Dorothy:

Enclosed for your review is the proposed Joint Report of the Early Meeting. Please call me on Friday, January 11, 1985, to inform me whether or not we can move forward and file this joint report.

It is my understanding that you will not be producing any documents to me when we meet for Mr. Irwin's deposition in Palm Springs. As I indicated, I thought that was the obligation under your Local Rules.

If you have any questions, please do not hesitate to contact me.

JA-138

Sincerely,

Jeffrey W. King
JEFFREY W. KING

JWK:pt
Enclosure

JA-139

**MICHAEL J. DENNIS
LAW CORPORATION
4TH FLOOR
619 SOUTH OLIVE STREET
LOS ANGELES, CALIFORNIA 90014
(213) 624-5676**

February 15, 1985

Dorothy Wolpert
Nutter, Bird, Marella, Boxer, Wolpert & Matz
340 North Camden Drive, Suite 300
Beverly Hills, CA 90210

Re: Columbia Pictures Industries, Inc., et al. v. Profes-
sional Real Estate Investors, Inc., etc., et al.

Dear Ms. Wolpert:

Confirming our telephone conversation of today in regard to plaintiffs' responses to defendants' document requests, you stated that most of the plaintiffs' headquarters are located here, in southern California, and some are located in New York. You also stated that you would find out the approximate number of documents to be produced in each location.

Your prompt attention to this matter is appreciated.

Very truly yours,

MICHAEL J. DENNIS LAW CORPORATION

Laura J. Barns
by Laura J. Barns

fl

cc Jeffrey King, esq.

Collier, Shannon, Rill & Scott
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1055 Thomas Jefferson Street, N. W.
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March 1, 1985

Mrs. Dorothy Wolpert, Esq.
Nutter, Bird, Marella, Boxer,
Wolpert & Matz
340 North Camden Drive
Suite 300
Beverly Hills, California 90210

Re: Columbia Pictures, Inc. et al. v. Professional Real
Estate Investors, Inc. et al., (Civ. No. 83-2594 WPG)

Dear Mrs. Wolpert:

I am in receipt of and have thoroughly reviewed the objections of plaintiffs to the document requests of Professional Real Estate Investors, Inc., and Kenneth Irwin ("PREI"). This letter constitutes a request under Rule 7.15.1 of the Local Rules of Procedure for the United States District Court for the Central District of California for a meeting to resolve the discovery disputes. Please contact me immediately to set up the requisite conference. If we are unable to resolve the discovery problems identified below, we will file a motion to compel production at the law offices of Michael J. Dennis of all documents requested.

Plaintiff's have refused to produce any documents responsive to twenty-eight of the forty document requests

and have refused in part to produce documents responsive to eleven of the remaining twelve requests. For your convenience I have briefly listed below our responses to plaintiffs' objections. Please reconsider plaintiffs' position on each request so that we may avoid needless dispute.

1. Plaintiff's have refused to produce the documents at the law offices of Michael J. Dennis. Instead plaintiffs stated that the documents will be produced at plaintiffs' various corporate headquarters which are scattered throughout Los Angeles and New York City. (General Objection No. 4). Fairness dictates that plaintiffs, who chose to file this suit jointly and filed it in the Central District of California, not require defendants to travel across the country in order to review and copy the requested documents. Moreover, you previously insisted on behalf of your claims that PREI produce documents at the site of the deposition, rather than at PREI's corporate headquarters. We complied with your request and ask for the same courtesy in return.
2. Plaintiffs objected, on the basis of attorney-client privilege, to thirty-nine of the forty requests. (General Objection No. 1). Plaintiffs objections, however, fail to identify the documents and consequently do not give PREI any basis on which to assess your claim of privilege. The objection fails to meet the requisite legal standard for a sufficient claim of attorney-client privilege.
3. Plaintiffs have refused to produce any documents relating to PREI's counterclaims (Request Nos. 20 through 29, 32, 33 and 39). PREI is entitled to discovery on the counterclaims and no basis appears in the record of this case for denying PREI the opportunity to pursue those claims.
4. Plaintiffs have also refused to produce documents relating to the specific allegations in the complaint. It

is difficult to understand the legal basis for the refusal to produce these documents. The grounds which were given, (such as the documents are already in the possession of PREI and the requests are vague, ambiguous, or premature) are frivolous.

5. Plaintiffs have refused to produce most of the requested discovery on the affirmative defenses. These are not grounds to refuse PREI discovery on these defense.

I look forward to the opportunity to meet with you to resolve this matter without resort to the Court. In the meantime, I would appreciate if you would please identify the number of documents plaintiffs are willing to produce. Our desire to obtain the documents which plaintiffs are willing to produce, even though they only constitute a partial production, does not in any way imply that PREI waives its right to seek full production.

Sincerely,

Jeffrey W. King
Jeffrey W. King

JWK/bls

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March 12, 1985

Mrs. Dorothy Wolpert, Esq.
Nutter, Bird, Marella, Boxer,
Wolpert & Matz
340 North Camden Drive
Suite 300
Beverly Hills, California 90210

Re: Columbia Pictures, Inc. et al. v. Professional Real
Estate Investors, Inc. et al., (Civ. No. 83-2594 WPG)

Dear Mrs. Wolpert:

I have not heard from you since my letter of March 1, 1985 concerning the objections of the plaintiffs to the document requests of Professional Real Estate Investors, Inc. and Kenneth Irwin. Under the local rules of the court, we were to confer on the dispute over discovery within ten days of my letter. You received the letter on March 4, 1985. The ten days will be over on Thursday, March 14, 1985. I would appreciate it if you would contact me by that time so that we can arrange to confer on this matter. If I do not hear from you by Thursday, I will assume that you do not intend to confer on these discovery disputes.

Sincerely,

Jeffrey W. King
JEFFREY W. KING

DECLARATION OF PATRICK J. COYNE

I, Patrick J. Coyne, declare:

1. I am a member of the Bar of the District of Columbia, and I am an associate with the law firm of Collier, Shannon, Rill & Scott. Since approximately September 1984, I have assisted Jeffrey W. King in the matter of *Columbia Pictures Industries, Inc., et al. v. Professional Real Estate Investors, Inc., et al.*, (Case No. 83-2594 W.P.G.). I have knowledge of the facts set forth below, and, if called as a witness, I would testify to these facts based upon my knowledge.

2. During the months of April, May, and June, 1985, I attempted to make and had numerous contacts with plaintiffs' counsel concerning defendants' request for production of documents. During these conferences, many of which were followed up by letters, I attempted to obtain plaintiffs' cooperation in the discovery process.

3. During a telephone conversation with plaintiffs' counsel on June 4, 1985, plaintiffs' counsel expressly stated that plaintiffs were "not cooperating" in discovery.

4. Notwithstanding plaintiffs' various promises, very few documents were ever produced.

5. During the months of June and July, 1985, I discussed with plaintiffs' counsel and attempted to schedule a Meeting of Counsel pursuant to Local Rule 7.15.1.

6. During a June 5, 1985 telephone conversation, plaintiffs' counsel indicated to me that she would be in Washington, D.C. in late-June and that it might be possible to hold the required meeting of counsel at that time. Plaintiffs' counsel, however, did not respond to my acknowledgement to hold the meeting in Washington. It was not until after plaintiffs' counsel returned to the West Coast that she sent a letter informing us that she had been unable to meet with us.

7. On July 24, 1985, I conferred with plaintiffs' counsel by telephone and we agreed to hold the pretrial meeting of counsel, required by Local Rule 9, and the meeting of counsel concerning the discovery disputes, pursuant to Local Rule 7.15.1, in Los Angeles, California on July 31, 1985 at the law offices of Michael J. Dennis Law Corporation. Plaintiffs' counsel expressly agreed that the meeting of counsel pursuant to Local Rule 7 would be held in conjunction with the pretrial meeting of counsel pursuant to Local Rule 9.

8. I had subsequent conversation with plaintiffs' counsel on July 25, 1985, although with another member of the firm representing plaintiffs. During that conversation, plaintiffs' counsel expressly stated that he understood the meeting was scheduled for July 31, 1985. We agreed that the meeting would be held at 3:00 p.m.

I DECLARE, under penalty of perjury, that the foregoing is true and correct and that this declaration is executed this 8th day of August, 1985, in Washington, D.C.

Patrick J. Coyne
PATRICK J. COYNE

DECLARATION OF JEFFREY W. KING

I, Jeffrey W. King, declare:

1. I am a member of the Bar of the District of Columbia and a member of the law firm of Collier, Shannon, Rill & Scott. I have been principally responsible for the defense of the case *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.* (Case No. 82-2594 W.P.G.), since this case was initiated. I have firsthand knowledge of the facts set forth below and, if called as a witness at any hearing or trial, would testify to these facts based upon my firsthand knowledge.

2. In conjunction with the continuation of the deposition of Kenneth F. Irwin in early-January, 1985, the parties held an Early Meeting of Counsel, pursuant to Rule 6 of the Local Rules of the U.S. District Court for the Central District of California. At that meeting, plaintiffs and their counsel did not produce any documents.

3. In early-July of this year, I was informed that this court had issued an order scheduling a pretrial conference for September 9, 1985. After not hearing from plaintiffs for approximately three weeks, one of my colleagues, Patrick J. Coyne, and I repeatedly attempted to contact plaintiffs' counsel to set up a meeting, as required under the rules of this Court, for July 30 or 31, 1985. Plaintiffs' counsel was repeatedly unavailable when we called but returned our calls and spoke with Mr. Coyne.

4. I attend the meeting on July 31, 1985 at the law offices of Michael J. Dennis Law Corporation, my counsel, in Los Angeles, California. Laura Barns, my local counsel, was also in attendance. I traveled to California for the sole purpose of attending these meetings.

5. At the meeting on July 31, 1985, plaintiffs' counsel initially refused to discuss our discovery request or the proposed stipulation under Local Rule 7.15.2. Only after we insisted did plaintiffs' counsel even attempt to go

through the individual document request and plaintiffs' objections. Plaintiffs put a time limit of approximately 15 minutes on this discussion, after which time they left the meeting. Plaintiffs indicated they would let us know promptly at the beginning of the week of August 5, 1985 whether they would reconsider providing information pursuant to the document request. To date, I have heard nothing from plaintiffs concerning the outstanding discovery request.

6. At the July 31, 1985 meeting, we also produced for plaintiffs, pursuant to Local Rule 9, a document list, a list of witnesses, a list of expert witnesses, and a proposed stipulation of fact. Counsel for plaintiffs indicated that they were not prepared to discuss any of these materials at the meeting. In addition, they indicated they were not prepared for the meeting and had no list of witnesses or documents to provide to us at that time. I requested that they give us a list of documents and/or witnesses orally of facts, and plaintiffs refused to do so. I also requested that we go through the stipulation of facts, and plaintiffs again refused to do so. Instead, they said they would take the stipulation and let us know early in the week of August 5, 1985 what particular stipulations they were willing to agree to. To date, I have heard nothing from plaintiffs with regard to this matter.

I DECLARE, under penalty of perjury, that the foregoing is true and correct and that this declaration was executed this 8th day of August, 1985, in Washington, D.C.

Jeffrey W. King
JEFFREY W.
KING

[Certificate of Service omitted in this printing]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIM

PLAINTIFFS' MEMORANDUM IN OPPOSITION TO
DEFENDANTS' MOTION TO COMPEL

DATE: September 9, 1985

TIME: 10:00 a.m.

COURTROOM: 23

[Table of Contents omitted in this printing]

I

INTRODUCTORY STATEMENT

Defendants' discovery motion should be rejected for each of these reason:

1. *Defendants Failed to Follow the Required Local Rules Before the Bringing of This Discovery Motion.*

As established in the concurrently filed Wolpert and Boxer declarations, the meeting between counsel on July 31, 1985 was called by defendants only to discuss the pre-

trial conference order. Defendants, after many months of casual discussions about outstanding discovery issues, never notified plaintiffs, either orally or by letter, that the purpose of the July 31, 1985 meeting was to discuss document discovery. Written notice requesting a discovery meeting and "specifying the terms of the discovery order sought" was required within 10 days prior to the July 31, 1985 meeting under Local Rule 7.15.1, but it was not given. For that reason, plaintiffs were not represented at the meeting by their attorney responsible for the handling of discovery matters.

Since new counsel will be representing all plaintiffs in this action,¹ it is particularly appropriate that the Court defer any ruling on the discovery motion until plaintiffs' new counsel and defense counsel have had an opportunity to meet and confer as required by the local rules.

2. *The Great Bulk of Plaintiffs' Objections to Defendants' Document Production Requests Relate Solely to Antitrust Issues Which Will, In All Likelihood, be Mooted by the Court's Rulings on the Cross-Motions for Summary Judgment Scheduled to be Heard in November; Also, As A Matter Of Law, Most Of Defendants' Vast Requests Are Not Relevant.*

In the telephonic hearing on August 14, 1985, the Court established a briefing and hearing schedule on plaintiffs' anticipated motion for summary judgment on the copyright issues and the cross-motion defense counsel represented "in all probability" he would file. As demonstrated in Section III below, the court's determinations of those motions and its consideration of the issues will in all likelihood

¹ As the Court was previously advised, Steven Kroft of Rosenfeld, Meyer & Susman is being substituted as counsel of record for all plaintiffs. Plaintiffs anticipate that the formal documentation will be presented to the Court within a few days and Mr. Kroft will appear for plaintiffs at the September 9 hearing on this motion.

moot all of defendants' vast discovery requests directed to antitrust issues.

If the Court grants plaintiffs' summary judgment motion on the copyright issue, defendants have conceded that their antitrust defense and counterclaims would be defeated as a matter of law. Furthermore, as Section III demonstrates, even if the Court were to deny plaintiffs' motion for summary judgment its inevitable conclusion, after considering the current state of the law, that plaintiffs' claims are being brought with probable cause would as a matter of law destroy defendants' position on the antitrust issues. Since the massive discovery requests by defendants seek to establish plaintiffs' subjective intent, they seek irrelevant, albeit extremely burdensome, document production.

3. Plaintiffs' Objections Are Well Taken.

An analysis of each of the disputed discovery requests is contained in Section IV below. When the requests are considered individually, plaintiffs submit that their positions are well taken. And, as also demonstrated in Section IV, plaintiffs have not chosen to rely on their well-taken objections to many of the requests relating to copyright issues but instead have agreed to produce the requested documents.

II

DEFENDANTS' MOTION SHOULD BE TAKEN OFF CALENDAR BECAUSE THEY HAVE NOT INITIATED THE MEET AND CONFER CONFERENCE BETWEEN COUNSEL MANDATED BY LOCAL RULE 7.15.1.

When defendants requested a meeting on July 31, 1985, the stated purpose of that meeting did not include a discussion of discovery.² For that reason the attorneys who

² Wolpert declaration, ¶¶ 9-10; Boxer declaration, ¶ 7.

attended that meeting for plaintiffs did not include the lawyer responsible for discovery matters.³

Notwithstanding defendants' failure to advise plaintiffs' counsel of their intent to hold a Local Rule 7.15.1 meeting on July 31, 1985 and their failure to give the written notice required by that rule, defendants did attempt a general discussion of disputed documents at the meeting.⁴

Following the July 31, 1985 meeting, and at least a week before the motion to compel was served, plaintiffs' counsel advised defense counsel that new counsel would be handling the matter on behalf of plaintiffs. For their own tactical reasons, defendants chose to press forward with a discovery motion rather than wait for new counsel to become familiar with the case and be in a position to negotiate disputed discovery issues.⁵

The presence of new counsel for plaintiffs makes it even more appropriate than in the usual case that the court require that the parties confer pursuant to the provisions of Local Rule 7.15.1 before burdening the court with discovery disputes. New counsel enjoys the complete confidence of plaintiffs and will obviously be in a much better position to consider and recommend compromises on disputed discovery issues than departing counsel.

No prejudice will flow to defendants from requiring such a conference since all parties have acknowledged that the pending motions for summary judgment may resolve this entire case,⁶ and the Court has recently taken off calendar

³ Wolpert declaration, ¶ 10.

⁴ Boxer declaration, ¶ 15.

⁵ Because Mr. Kroft, new counsel for plaintiffs, just returned from vacation on August 19, 1985, these papers are being prepared by original counsel for plaintiffs. As indicated previously, it is anticipated Mr. Kroft will argue on plaintiffs behalf at the September 9, 1985 hearing.

⁶ Boxer declaration, ¶ 13.

the previously scheduled September 9, 1985 pre-trial conference.

III

THE ANTITRUST DISCOVERY WOULD BE UNDULY TIME CONSUMING AND BURDENSOME, AND IS UNNECESSARY

Defendants have filed counter-claims and defenses based on one central assertion: that the main action was filed in bad faith. The discovery which is requested on these counter-claims is unduly burdensome and time consuming. Further, as will be demonstrated below, the good faith of the plaintiffs is established as a matter of law if the main action is brought with probable cause, and until the merits of the main action are determined, discovery on the counter-claims should not go forward.

1. *The Requested Discovery is Unduly Burdensome and Time Consuming.*

Paragraphs 20 through 39 of the document request are directed toward discovery on the bad faith issues raised by defendants' counter-claim. Despite the limited nature of the issue running through and underpinning all of the counter-claims and related defenses, defendants seek discovery on matters far afield from the good faith of the plaintiffs in bringing this particular lawsuit.

The documents called for by the request are extensive, and as demonstrated below largely irrelevant, but the real burden lies in the documents and files which have to be examined in order to find relevant and responsive material, if any exist. In particular, the following files of each studio will have to be searched:

(1) The correspondence, contract, and expense files of all executives operating in the home video area of each company (Request Nos. 20, 21, 24-27, and 35);

(2) The correspondence and contract files for every executive who has ever had contact with Sony, Bell & Howell, RCA or Pioneer, the manufacturers of video cassettes and video discs for the studios (Request Nos. 21, 22, and 38);

(3) Phone records for the entire studio (Request No. 28);

(4) The correspondence files for every executive at each studio who has ever had contact with the Motion Picture Association of America, the World Wide Piracy Committee of that association, or any of its other committees (Request No. 27, 29, and 36);

(5) All contracts files and correspondence files of any employee who has ever sent or received anything from any theatrical motion picture exhibitor, any television station, or any television network (Request No. 33); and

(6) The calendars, correspondence files, and phone logs for every studio executive (Request No. 34).

Clearly, this extraordinarily broad document request was designed with no other purpose than to harass and punish the plaintiffs for bringing this lawsuit, and to engage in a fishing expedition through the studios' books and records.

As shown in the concurrently filed declaration of Robert J. Rose, the culling, collection and copying of the materials requested by La Mancha would require a team of paralegals at each of the studios, working on nothing else for four months.

2. *The Good Faith Of The Plaintiffs Is Demonstrated If The Main Action Is Brought With Probable Cause; Therefore Discovery Should Be Delayed Until After Consideration Of The Main Action On The Merits.*

At the July 31, 1985 meeting, defendants' counsel conceded that if the main action were decided against his clients, the good faith of the plaintiffs in bringing the

action would be established, and the counter-claims would fail. Defendants' position is well taken, and in accord with the law. E.g., *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 161 (3d Cir. 1984) ("success on the merits of their copyright infringement action demonstrates clearly that . . . it would be impossible for the appellants to prove bad faith"); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 291 (10th Cir. 1974) ("any suggestion" of sham or bad faith disappears after success on merits). Therefore, should plaintiffs win the motion for summary judgment, any counter-claim discovery will have been futile and to no avail. As shown below, the same is true if the action is unsuccessful, but brought with probable cause.

By its very nature the function of a copyright is to grant the owner a "limited monopoly" with respect to the copyrighted material. The "limited monopoly" bestowed by a copyright includes the right to exclude others from unauthorized uses of the copyrighted materials. *Lawlor v. National Screen Service Corp.*, 270 F.2d 146 (3d Cir. 1959), cert. denied, 362 U.S. 922 (1960); *Inge v. Twentieth Century-Fox Film Corp.*, 143 F.Supp. 294 (S.D.N.Y. 1956). In particular, with respect to motion pictures, § 106 of the Copyright Act grants the owner a copyright of a motion picture the exclusive right to publicly perform the motion picture. 17 U.S.C. § 106(4). Therefore, by reason of their ownership of copyrights in the motion pictures in question, plaintiffs have the right to bring this suit to enjoin a public performance of their works. *Redd Horne, supra*, 749 F.2d at 161; *Alberto-Culver Co. v. Andrea Dumon, Inc.* 466 F.2d 705, 711 (7th Cir. 1972); *Edward B. Marks, supra*, 497 F.2d at 291.

In *W. Goebel Porzellanfabrik v. Action Industries, Inc.*, 589 F.Supp. 763 (S.D.N.Y. 1984) the plaintiff brought a copyright infringement action against Action Industries. In response, the defendant, as in this case, filed antitrust counter-claims alleging that the suit was brought in bad

faith, and itself was an antitrust violation. In ruling on a motion to dismiss, the Court stated:

"the Court notes that lawsuits have only rarely been treated as part of an antitrust conspiracy. Where the holder of a valid copyright brings suit in good faith and based on reasonable grounds, '[w]hatever other anti-competitive activity the [copyright holder] may be guilty of, the [copyright law] would seem to authorize him to bring such a non-frivolous suit.'" 589 F.Supp. at 767.

Only if the suit is brought in bad faith, i.e., as a "sham," can antitrust liability ever attach. *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972). The question is, how does one measure good faith? If the subjective intent of the plaintiff must be explored in every case, then in every infringement action, which by its nature has the necessary purpose of preventing competition by the infringer, extensive discovery on the copyright holder's motive could be taken. On the other hand, if an objective standard based on the state of existing law is used, after the Court considers the merits of the infringement action, it can determine whether the plaintiff had probable cause to bring the suit.

The case law and the policy underpinning the Copyright Act clearly show that the existence of probable cause is the key in measuring good faith, and not the subjective intent of the plaintiff. In *Chest Hill Co. v. Guttman*, 1981-2 Trade Cases (CCH) ¶ 64,417 (S.D. Ohio 1981), the Court was also faced with an antitrust claim alleging bad faith resort to litigation. In granting summary judgment against the antitrust claim the Court stated that:

"The test of baselessness is whether the defendant had probable cause in bringing the claims—the same test that is applied in malicious prosecution actions. . . . This is an objective and not a subjective standard. . . . A determination

that a antitrust defendant filed actions without probable cause is an absolute prerequisite to bringing its conduct within the sham exception to the *Noerr-Pennington* doctrine." 1981-2 Trade Cases at p. 75,055. (emphasis added).

The Court in *Chest Hill* went on to hold that "[e]xcept under the rarest of circumstances" the fact that the claims in the main action had not "been fully tested on the merits by any court. . . . alone should preclude a finding of baselessness." 1981-2 Trade Cases at p. 75,057. This, of course, would obviously preclude any action on the counter-claims until the main action is resolved since: "a determination of baselessness of an action by an antitrust court before the original court has ruled on its merits should be made only under extreme circumstances and with extreme caution, with the principle always in mind that the sham exception should be construed narrowly so as to protect the First Amendment right of access to the courts." 1981-2 Trade Cases at 75,055-056.

This standard comports with public policy, since "[r]egardless of intent, parties can be held liable only if they employ means of influencing governmental action that are in themselves illegal or reprehensible." R. Bork, *The Antitrust Paradox*, p. 359 (1978). This applies with even more force when the main action is an intellectual property infringement case, since the pendency of antitrust counter-claims might kill legitimate patent, copyright and trademark enforcement efforts because "of fear of the vexations and punitive consequences of treble-damage suits." *Handgards, Inc. v. Ethicon, Inc.* 601 F.2d 986, 996 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980) (higher standard necessary for antitrust counter-claim in patent litigation); *Caplan v. American Baby, Inc.*, 582 F.Supp. 869, 897 (S.D.N.Y. 1984) (copyright).

Quite simply, even if the motive of the plaintiffs was to prevent competition in distribution of motion pictures to hotels, the counter-claims must fail:

"A party's assertion of non-frivolous legal positions before courts or other adjudicatory bodies does not violate the antitrust laws even if there are anti-competitive motives for doing so." *Ortho-Vision, Inc. v. Home Box Office*, 474 F.Supp. 672 (S.D.N.Y. 1979).

Therefore, regardless of the outcome of the main action, so long as the Court (which will be presented with summary judgment motions on the issue of copyright infringement) determines that the main action had "sufficient merit to . . . defeat a cause of action for abuse of process," *Alberto-Culver, supra*, 466 F.2d at 711, was brought "in a manner which is in accordance with the spirit of the law," *Semke v. Enid Automobile Dealers Association*, 456 F.2d 1361, 1367 (10th Cir. 1972), and was not "clearly and palpably lacking in probable cause," *Chest Hill, supra*, 1981-2 Trade Cases at p. 75,057, the counter-claims must be dismissed. See also *Classic Films Museum, Inc. v. Warner Bros., Inc.* 523 F.Supp. 1230 (D. Me. 1981).

In summary, regardless of the outcome of the main action, in the interest of the efficient administration of this litigation, the discovery on the counter-claims should be delayed until the Court can rule on the existence of probable cause in the main action. If, after ruling on summary judgment, the Court concludes either that plaintiffs prevail or that, given the current state of applicable copyright law, the litigation was not clearly and palpably lacking in probable cause, then almost all of the defendants requested document discovery will be rendered irrelevant, and the massive burden of providing it avoided.

IV

**THE DISPUTED DOCUMENT PRODUCTION REQUESTS
ARE OVERLY BROAD, VAGUE, UNDULY BURDENSOME
OR OTHERWISE OBJECTIONABLE**

Additional reasons why plaintiffs objected to defendants' document production requests are separately discussed below:

General Objection No. 1.

Defendants' memorandum fails to advise the court that plaintiffs have already agreed to prepare the list of documents which are being withheld because of attorney-client privilege or the work product doctrine. Only the change of counsel for plaintiffs which has delayed preparation of that list.

If, following receipt of that list, defendants then believe that they have the right to further information concerning these documents, that would be the appropriate time to seek to have the court inspect them *in camera* to determine if the claims of privilege are well taken.

General Objection No. 2.

In footnote 6 of defendants' moving papers, defendants acknowledge that their document request is limited to materials in plaintiffs' "possession, custody or control." Accordingly, while plaintiffs' objection is well taken, it is no longer of any moment since the parties are in complete agreement as to the proper scope of defendants' document production request.

General Objection No. 3.

This general objection merely preserves plaintiffs' rights to establish that specific document production requests, such as those on the antitrust issues, are unduly burdensome.

General Objection No. 4.

This objection merely preserves plaintiffs' right to produce their documents, if they are voluminous, at their corporate headquarters located either in Los Angeles (where defendants have retained local counsel) or in New York City (close to defendants' principal counsel in Washington, D.C.). To date, plaintiffs have not needed to exercise the right to produce documents at their corporate headquarters, but they preserve such a right if defendants obtain the unusually voluminous discovery they seek.

Document Request No. 1.

The broad, irrelevant nature of this document production request is obvious. As phrased, it requires tons of documents about every aspect of the operations of the motion picture studios as well as they parent corporation (Coca Cola, in one instance) and all their affiliated and subsidiary corporations (the CBS Network, for example.)

Plaintiffs submit that this request should be limited to current organizational charts, if any, showing the highest executive levels only for their hotel and home use video tape distribution operations.

Document Request No. 2.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 3.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 4.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 5.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 6.

As plaintiffs' objection clearly stated, the request is incomprehensible and unfair because defendants are requesting plaintiffs to supply documentation supporting a *nine word* segment of a five line allegation. In context, the nine words have an entirely different meaning than when they are isolated. It is for that reason plaintiffs correctly objected that the request is incomprehensible because it distorts plaintiffs' allegations.

Document Request No. 7.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 8.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 9.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 10.

At the present time, plaintiffs do not intend to pursue a claim for lost profits. Thus, all this requested discovery would be irrelevant. However, because of the change of counsel for plaintiffs, plaintiffs request the right to alter their position and advise the Court at the September 9, 1985 hearing if they will pursue in pretrial any claim for damages based on lost profits. If they make such an election through new counsel, plaintiffs appreciate that defendants would be entitled to production of documents responsive to this request.

Document Request No. 11.

In paragraph 9 of defendants' answer, they admit that "defendants have acquired possession of videodiscs of feature motion pictures." Because of this admission, plaintiffs rightfully objected that the document request seeks irrelevant material because defendants' acquisition of videodiscs is no longer in dispute.

Document Request No. 12.

Plaintiffs did not object to this request.

Document Request No. 13.

All parties in this case have acknowledged that the central issue in this dispute is whether or not defendants are engaged in or have authorized public performances of plaintiffs' motion pictures. Given that this is the central issue of the case, it is an incredibly overbroad request for defendants to ask for every document "supporting or relating in any way" to this issue.

Document Request No. 14.

This request references paragraph 22 of the complaint which contains, like the prior document request, the allegation that defendant has publicly performed or caused others to public perform plaintiffs' motion pictures. As indicated in the prior discussion, a request for every documents "supporting or relating in any way" to the entire basis of this case is obviously overbroad and unduly burdensome.

Document Request No. 15.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 16.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 7.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 18.

This request references *the entire* complaint. As such, it is obviously overbroad and unduly burdensome.

Document Request No. 19.

This document request is particularly offensive because it requires plaintiffs' counsel to reveal his thought processes

in drafting the complaint. As framed, it would require plaintiffs' attorneys to segregate those documents he relied on and thereby reveal his thought processes and strategy in presenting this case on behalf of plaintiffs.

Document Request No. 20.

This is the first of 19 consecutive document production requests which appear to be directed solely to defendants' antitrust counterclaims or affirmative defenses. (Requests 20 through 39) By this request, defendants purport to seek each of the thousands of documents at each studio plaintiff which "evidences, relates to, or refers" in any way to the business of renting videodiscs or videotapes. Merely to state the request is to establish its absurd overbreadth.

Unless defendants were to limit their request to some meaningful segment of that vast universe of documents—perhaps communications, if any, between one studio and another concerning the use of videotapes or videodiscs by hotels, motels, and other similar public establishments—the request is unreasonably overbroad and seek miles of irrelevant documents.

Document Request No. 21.

In this document request, defendants seek wholly irrelevant material. The focus of the request is the entire business of producing videodiscs or videotapes. Defendants, however, are not in that business. Defendants' business is not the manufacturing of any videodiscs or videotapes, but their performance at their hotel. To the extent that defendants' antitrust claims and copyright misuse affirmative defense can be understood, they are based on claims relating to that activity of *performing* videotapes and videodiscs.

Since the document production request is directed to an entirely different segment of the motion picture business, plaintiffs rightfully asserted their objections.

Document Request No. 22.

While defendants believe their objections are well taken, they do not object to disclosure of that portion of any agreement with RCA which evidences a restriction, if any, on the sale of videodiscs or videotapes to establishments that rent videodiscs or videotapes to the general public. However, defendants cannot establish any justification for additional documentation; plaintiffs therefore object.

Document Request No. 23.

This is another incredibly broad document production request by plaintiff. It requires every studio to reveal any document concerning the business of licensing videodiscs or videotapes. It is obviously so overbroad that it is unduly burdensome. Also, the request would clearly require production of documents that are confidential and contain proprietary information.

Document Request No. 24-29.

These requests are overly broad because they seek all existing documentation about the business of selling or reselling videodiscs or videotapes (an activity not challenged by plaintiffs complaint) and the entire business of renting videodiscs or videotapes. Literally it would require every document every plaintiff has about every one of the corner video rental outlets in the United States. That is why defendants asserted their objections.

Document Request No. 30.

Although plaintiffs objected, they also stated a willingness to produce all documents responsive to the request (except for documents privileged or subject to the work product doctrine). Thus, no order is needed with respect to this request.

Document Request No. 31.

Since defendants have not contended or even suggested that they took any actions or failed to engage in any public

performances of plaintiffs works by reason of the FBI warning, documents relating to that warning are entirely irrelevant to the issues in this case.

Document Request No. 32.

Since defendants have not alleged or suggested that they took any actions or failed in any way to publicly perform any of the motion pictures of plaintiffs by reason of any such "restriction", this request seeks entirely irrelevant material. In addition, like requests 24 through 29, this request seeks literally thousands of contracts, letters and other documents relating to contracts for the entire national industry of videodiscs and videotapes.

Document Request No. 33.

As drafted, Document Request No. 33 requires plaintiffs to produce every document generated by their distribution divisions involved all theatrical and non-theatrical forms of exhibition. Obviously, this is an unduly burdensome task and the materials produced would be irrelevant.

Document Request No. 34.

Document Request No. 34 is written in such a manner that it would require every plaintiff to reveal any communication *on any subject* with any of defendants. As such, it is overly broad and seeks irrelevant and privileged material.

Document Request No. 35.

Since defendants have not alleged or suggested that they took any actions or failed in any way to publicly perform any of the motion pictures of plaintiffs by reason of any such notice or "warning", this request seeks entirely irrelevant material. In addition, like requests 24 through 29, this request seeks literally thousands of contracts, letters and other documents relating to contracts for the entire national industry of videodiscs and videotapes.

Document Request No. 36.

This document request is overly broad and unduly burdensome because it seeks information about claims brought against persons not in a position similarly to the defense in this case, i.e., other hotel and motel operators. To the extent it seeks information about other and entirely different types of illegal and non-authorized public performances (i.e., showing of films in bars or in college dormitories) the request seeks irrelevant and unduly burdensome information.

Document Request No. 37.

This request is overbroad because it is not limited in time to the period prior to the institution of this lawsuit and it seeks privileged information.

Document Request No. 38.

This request is overly broad and seeks irrelevant and unduly burdensome materials because, without limiting the request to any subject matter whatsoever, it asks for all communications of any type whatsoever between very large corporations.

Document Request No. 39.

This request is overly broad because it requires plaintiffs to supply every document relating in any way to their entire defense on the counter-claims.

Document Request No. 40.

Plaintiffs counsel previously advised defense counsel that the objections to this request are withdrawn.

V**NO AWARD OF SANCTIONS IS APPROPRIATE**

Defendants' request for attorneys' fees and costs in bringing their discovery motion should be denied. First,

defendants clearly failed to follow the mandate of the Local Rules by not giving plaintiffs' either written or oral notice of their desire for a "discovery" meeting on July 31, 1985.

Second, although the subject of discovery has been discussed many times informally by the parties, defendants have unreasonably timed their motion to fall during the transition period when new counsel is taking over the case for plaintiffs.

Third, as outlined in this memorandum, most of defendants requests are absurdly overbroad and seek irrelevant material. It is reasonable for plaintiffs to have resisted such overreaching and harassing requests.

For these reasons, defendants submit that it would be not appropriate for the court to make any monetary award in favor of defendants.⁷

VI**CONCLUSION**

For these reasons, defendants' motion should be denied.

⁷ It would be particularly inappropriate for the court to compensate defendants for traveling to Los Angeles on July 31, 1985 since (a) the only purpose of that meeting, as far as plaintiffs knew, was to prepare for the pre-trial, (b) defendants have local counsel whose use would not have required travel, and (c) there was no need for defendants' Washington D.C. counsel to appear in person at a "discovery" meeting.

Respectfully submitted,

Joel E. Boxer

Dorothy Wolpert

Robert J. Rose

NUTTER, BIRD, MARELLA,

BOXER, WOLPERT & MATZ

A Professional Corporation

By Joel E. Boxer

Joel E. Boxer

Attorneys for Plaintiffs

[Certificate of Service omitted in this printing]

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

Case No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware corporation; et al.,

Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., a California corporation dba LA MANCHA PRIVATE CLUB AND VILLAS, KENNETH F. IRWIN AND ERLAND KYLLONEN, Defendants.

PROFESSIONAL REAL ESTATE INVESTORS, INC., a California corporation d/b/a LA MANCHA PRIVATE CLUB AND VILLAS, and KENNETH F. IRWIN,

Counterclaimants,

vs.

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware corporation; et al.,

Counterdefendants.

**PLAINTIFFS' MEMORANDUM IN OPPOSITION TO
DEFENDANTS' MOTION FOR SANCTIONS**

DATE: September 9, 1985

TIME: 9:00 a.m.

COURTROOM: 23

**MEMORANDUM OF POINTS AND AUTHORITIES IN
OPPOSITION TO DEFENDANTS' MOTION FOR
SANCTIONS**

Defendants' motion for sanctions should be denied for each of the following reason:

1. Defendants' position has been mooted by the court's order of August 14, 1985 abating the September 9, 1985 pre-trial conference; accordingly, defendants have not and cannot establish any prejudice flowing from plaintiffs' actions;

2. Defendants have not and cannot demonstrate any violations, in bad faith or otherwise, of the local rules or any court order relating to pre-trial preparation; and

3. Defendants are estopped to bring this motion by their own bad faith; they concede they reneged on their agreement not to oppose plaintiffs' application to the Court to continue the September 9 pre-trial conference.

Each of these factors is sufficient to deny the motion. Taken together, they compel rejection of defendants' application.

Defendants' moving papers incorrectly characterize both the course of this litigation and the events of July 31, 1985. As the court records establish, and as is reflected in the concurrently filed declarations of Dorothy Wolpert and Joel Boxer, this case has been marked by unusual patience by plaintiffs in pursuing their claims while defendants attempted to negotiate for nearly one and one-half years a settlement of the entire lawsuit.¹

Throughout the history of this litigation, three themes abide. First, defendants sought to delay consideration of the merits of this case as long as possible in order to attempt a negotiated resolution; plaintiffs were willing to delay prosecution for that purpose.² Second, all parties agreed from the inception of this case that the foundational copyright claims could probably be resolved by summary

¹ Declaration of Dorothy Wolpert, ¶¶ 3 and 4; Boxer declaration, ¶¶ 2 and 3. Continuances in this case were also obtained by defendants because of their counsel's lengthy illness. Wolpert declaration, ¶ 5.

² Boxer declaration, ¶¶ 2 and 3; Wolpert declaration, ¶ 3 and 4.

judgment.³ Third, a summary judgment ruling on copyright issues may either, as a matter of law or practicality, resolve all other pending issues in the case.⁴

It was because of these three themes that plaintiffs' counsel came to the July 31, 1985 meeting of counsel prepared to discuss two reasonable alternatives to proceeding with the complex pre-trial of this case. One was a comprehensive settlement. Based on the prior course of negotiations between the parties, plaintiffs' attorneys believed they had authority on July 31, 1985 to present a structure for settlement which would probably be accepted and would have quickly led to a termination of the entire case.⁵

When plaintiffs' settlement structure was rejected quickly by defendants at the July 31, 1985 meeting, plaintiffs proceeded in good faith by committing to the bringing of a motion for summary judgment which, especially when combined with defendants' probable counter-motions on the same issues, would have resolved all or most of the issues in this case. Plaintiffs were prepared at the July 31, 1985 meeting to enter into an agreement with defense counsel to establish a schedule for the briefing and hearing of the summary judgment issues.

It is indeed odd that defendants filed this motion when they acknowledged and agreed at the July 31, 1985 meeting that: (1) defendants would "in all probability" bring on a counter-motion for summary judgment; (2) if plaintiffs' motion for summary judgment on copyright issues were granted, it would resolve the entire case; (3) defendants would *not* oppose plaintiffs' application to the court to establish a briefing schedule and continue the pre-trial conference until after a ruling on the motion(s) for summary

³ Boxer declaration, ¶ 11; Wolpert declaration, ¶ 7.

⁴ Boxer declaration, ¶ 13.

⁵ Boxer declaration ¶¶ 4-7, 10.

judgment; and (4) a ruling in favor of either side on the copyright issues on motions for summary judgment would probably lead to a prompt resolution by settlement of the remaining issues in the case.⁶

Plaintiffs' counsel did not anticipate at the July 31, 1985 meeting that, notwithstanding these agreements and acknowledgements, defendants would insist upon going forward with the preparation of the complex and lengthy pre-trial papers which are totally inappropriate or premature when the principal issues are to be resolved by motion, not trial. It is because plaintiffs did not anticipate that defendants would take such an illogical view of this case—i.e., proceed with preparing pre-trial papers only appropriate to a jury trial while simultaneously recognizing that the main issue and perhaps the entire case should be disposed of promptly by summary judgment—that plaintiffs did not join in an exchange on July 31, 1985 of lists of trial witnesses and trial exhibits. Notwithstanding the fact that plaintiffs' counsel did not anticipate that defendants would so posture at the July 31, 1985 meeting, that conference of counsel still proved useful on substantive issues. At the meeting, there was a frank discussion of an aspect of the case that the parties had not focused on in detail in the past—defendants' antitrust counterclaims. The discussion and understanding gained at that meeting permitted plaintiffs' counsel to understand for the first time (although not agree with) the basis for defendants' claimed needs for broad discovery.⁷

After the July 31, 1985 meeting and before this motion was brought, defendants took a step in this case which totally undermines any possible basis for their motion. Five days after the July 31 meeting—after plaintiffs had made the decision to retain new counsel in this case and had

⁶ Boxer declaration, ¶¶ 11-13.

⁷ Boxer declaration, ¶ 14.

begun preparation of the application to this Court to continue the pre-trial conference and establish a summary judgment briefing schedule—defendants reneged by letter on their July 31 agreement to not oppose this application. No explanation for this breach of faith was made then and none has been made subsequently by defense counsel.⁸ Whatever the tactical motive for defense counsel's zig-zag, the Court should not condone or encourage counsel's conduct by even considering their pending motion.

Even if defendants could demonstrate a bad faith failure by plaintiffs to cooperate in pre-trial proceedings, the motion should be denied because no prejudice could flow to defendants from plaintiffs' actions. Within a few days after the July 31 meeting, counsel for plaintiffs applied to the Court to establish a summary judgment hearing and briefing schedule and to abate the September 9, 1985 pre-trial conference. In a telephone conference on that application on August 14, 1985, the Court granted plaintiffs' requests. Indeed, in so ruling, the Court specifically advised all counsel *not* to begin preparation of any pre-trial papers until after the scheduled mid-November hearing on motions for summary judgment.⁹

The Court's order of August 14, 1985 abating the September 9, 1985 pre-trial conference has mooted defendants motion and eliminated any possible claim of prejudice by defendants.

Nor do the cases cited by defendants support their motion. All their authorities involve clear and convincing patterns of counsel ignoring multiple deadlines and successive court orders to opposing counsel's demonstrable prejudice. In defendants principal case—*Chism v. National Heritage*

⁸ Boxer declaration ¶ 17.

⁹ Plaintiffs presume the court made this comment to counsel because it also recognized that its summary judgment ruling will necessarily affect the balance of the trial preparation of this case.

Life Insurance Co., 637 F.2d 1328, 1329-1330 (9th Cir. 1981)—the Court was presented with at least ten different conceded and substantial violations of Court rules and orders and substantial prejudice to the other party. And in *Transameric Corp. v. Transamerica Bancgrowth Corp.*, 627 F.2d 963, 965-966 (9th Cir. 1980), one party was found to have ignored (1) a Court ordered discovery deadline, (2) its obligations to prepare for three continued pre-trial conferences, and (3) an express Court warning of sanctions for subsequent violations. These extreme examples—which defendants disingenuously characterized as “virtually indistinguishable” to this case—bear no resemblance to plaintiffs’ activities in this case.¹⁰ And, unlike the opposing parties in both these cited cases, defendants in this case cannot show any prejudice.

It is now the time for this case to be resolved on the merits—not by procedural strategies. Plaintiffs respectfully submit that the motion is without foundation in fact or law and should be denied.

Respectfully submitted,

Joel E. Boxer
Dorothy Wolpert
Robert J. Rose
NUTTER, BIRD, MARELLA,
BOXER, WOLPERT & MATZ
A Professional Corporation

By: _____
Attorneys for Plaintiffs

Dated: August 23, 1985.

¹⁰ *Crocker National Bank v. M.F. Securities*, 104 F.R.D. 123 (C.D. Cal. 1985), also cited by defendants in support of their motion, bears no factual resemblance to this case since it involved multiple violations of orders and rules and the failure to oppose an order to show cause.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware corporation; et al.,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., a California corporation dba LA MANCHA PRIVATE CLUB AND VILLAS, KENNETH F. IRWIN AND ERLAND KYLLONEN,
Defendants.

PROFESSIONAL REAL ESTATE INVESTORS, INC., a California corporation d/b/a LA MANCHA PRIVATE CLUB AND VILLAS, and KENNETH F. IRWIN,
Counterclaimants,

vs.

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware corporation; et al.,
Counterdefendants.

DECLARATIONS OF DOROTHY WOLPERT, JOEL E. BOXER AND ROBERT J. ROSE IN SUPPORT OF PLAINTIFFS’ MEMORANDUM IN OPPOSITION TO DEFENDANTS’ MOTION FOR SANCTIONS AND PLAINTIFFS’ MEMORANDUM IN OPPOSITION TO DEFENDANTS’ MOTION TO COMPEL

DATE: September 9, 1985

TIME: 10:00 a.m.

COURTROOM: 23

DECLARATION OF DOROTHY WOLPERT

I, Dorothy Wolpert, declare:

1. I am an attorney admitted to practice before all the Courts of this state and this District Court. I am a member of the firm of Nutter, Bird, Marella, Boxer, Wolpert & Matz and was one of the attorneys responsible for prosecution of this action on behalf of plaintiffs. I make this declaration in opposition to defendants' pending motions. The facts stated herein are personally known to me and if called upon at a hearing, I could and would competently testify thereto.

2. My firm filed this action on behalf of plaintiffs on February 25, 1983. No answer was filed until February 9, 1984. The reason for this long delay was the desire of defendants to explore and pursue the possibility for settlement. Plaintiffs agreed to eight pleading continuances in order to facilitate defendants' wishes. In addition, defendants and defendants' counsel were provided with the names of appropriate executives at each of the plaintiffs with whom they might pursue their negotiations.

3. From the outset of the litigation, and during the entire period within which I was involved in this case, defendants' position, reiterated to me on many occasions, was that above all they wished to settle the matter and would be willing to do so even if only *some* of the plaintiffs would license their use of the copyrighted motion pictures at issue. Jeffrey King, counsel for defendants and defendant Kenneth Irwin, each stated to me, separately and on several occasions, that if a few plaintiffs would license their use of motion pictures, defendants would agree to entry of permanent injunction against the use of the motion pictures of the other plaintiffs until such time as that use was found by a court of competent jurisdiction to be non-infringing. Mr. King stated this position to me in our earliest contacts in 1983. He reiterated them at Mr. Irwin's deposition in November 1984 and January 1985.

4. Settlement discussions occurred over a long period of time directly between defendants' counsel and plaintiffs' representatives. Each of the eight requests for extension of time to answer was based on a desire of defendants to continue to pursue direct settlement discussions with studio executives. At one point in time, one of the plaintiffs, Warner Bros. Inc., was sufficiently close to a licensing agreement to submit a contract to defendants. Defendants rejected the contract.

5. In addition to the lengthy delays occasioned by defendants' desire to pursue the possibilities for settlement, further delays were occasioned by the illness of counsel for defendants, Mr. Jeffrey King, in the summer of 1984, during which time I agreed to put off a number of previously scheduled proceedings until he recovered, and then, in October 1984 he was in trial for several weeks and I once again accommodated his schedule. Additionally, delays in discovery were occasioned by personal problems of defendant Kenneth Irwin. He refused to have his deposition taken any place but Palm Springs because he stated that his wife's medical condition required him to be near her at all times. After many months delay, Mr. Irwin's deposition was ultimately taken in Palm Springs, on two separate occasions two months apart, ten months after defendants filed their answer to the complaint.

6. Although defendants have associated local counsel on their pleadings, these counsel have not been actively involved in the case. The fact that Mr. King practices in Washington, D.C. has further encumbered the proceedings.

7. As the early meeting report of counsel filed with this Court states, counsel for both sides indicated their intentions of filing summary judgment motions. Mr. King stated to me, at the time the report was revised in early 1985, and it is reflected in the early meeting report, that he would pursue a summary judgment motion on the issue of copyright infringement only and would agree to a bifur-

cation of the proceedings. This was true for the reason that he acknowledged that the antitrust claims asserted as counterclaims to the copyright action were dependent upon the copyright claim and if plaintiffs could prevail on the copyright claim, the antitrust allegations would fall.

8. During the spring of 1985, plaintiffs were pursuing the feasibility of a summary judgment motion. Mr. King did not indicate that he was preparing a summary judgment motion or about to file one. Mr. King did seek discovery on the antitrust counterclaims and was provided with those of plaintiffs' documents believed relevant and appropriate based on their understanding at the time of defendants' claims. Additionally, plaintiffs filed objections to some of defendants' requests which they believed to be overly broad, irrelevant and burdensome. At the time of the filing of these objections, I wrote to Mr. King and told him I would be available at his convenience to discuss the objections as contemplated by the local rules. On several occasions during the following months, I mentioned the meeting to Patrick Coyne of Mr. King's office with whom I have been dealing exclusively for the last five months. He stated that Mr. King wanted to defer the meeting. I told him our local rules required a joint statement as a predicate to a motion to compel and that if he wanted to send me defendants' positions, I would start drafting plaintiffs'. Mr. Coyne said Mr. King wanted to wait until the document production was complete before considering a motion, or discussing our differences with respect to plaintiffs' objections. A discussion of these objections and defendants' demands for plaintiffs' corporate documents was never initiated by defendants.

9. I have read the declarations of Jeffrey King filed in support of defendants' motion to compel production of documents and motion for sanctions. Unfortunately, they contain many factual inaccuracies and misapprehensions. This is due, I am sure, to the fact that, in part, they are comprised largely of hearsay and purport to describe mat-

ters of which Mr. King has no personal knowledge. My discussions concerning discovery, after February 15, 1985, were *exclusively* with Mr. Coyne. At no time did Mr. Coyne set a date for an in-person or telephonic meeting of counsel to discuss discovery disputes. In fact, he repeatedly deferred such discussion and told me that it was Mr. King's wish to defer such discussion until such time as the document production was completed and he had reviewed all the documents. When Mr. Coyne called me after receiving this Court's minute order in late July of 1985 setting a pre-trial conference, it was solely to arrange a meeting of counsel required by Rule 9. There was no discussion of discovery during that conversation. The conversation was very brief and consisted solely of Mr. Coyne's statement that his office had received the Court's minute order and that Mr. King wanted to come to Los Angeles for the pre-trial conference meeting on July 30th or 31st.

10. In late spring, it appeared that our clients were tending toward the view that a trial on the merits would be preferable to a summary judgment motion and I informed the Clerk of the Court of that interim decision. At that time, the Clerk informed me that the Court would set a pre-trial conference hearing, but that we could still file a summary judgment motion. Shortly after the Court's minute order setting the September 9, 1985 pre-trial conference schedule was received by counsel, I received a call from Patrick Coyne informing me, as noted above, that Mr. King wished to come to Los Angeles for the pre-trial conference meeting and asking me whether we could be available on the 30th or 31st of July. I told Mr. Coyne that we could make someone available either of those days and agreed to meet with Mr. King at the office of his local counsel. My partner, Joel Boxer, and Robert Rose, who is of counsel to our firm, attended that pre-trial conference meeting. Had Mr. Coyne indicated, in any way, that the meeting was related to discovery, I would have

attended it because I was most familiar with that aspect of the case.

11. One of the purported bases for defendants' motions for sanctions relates to the early meeting of counsel and my alleged failure to participate in such a meeting and file the appropriate report to the Court. There is no denying that the report was not timely filed. However, I respectfully submit that any complaint with respect to this oversight exalts form over substance. It is, moreover, a "complaint" never previously voiced. While I admit that the report of early meeting was late, the reason was that defendants took a year to answer to this action and during that year, as well as after it, counsel for the parties had completed all the requirements of the early meeting rule, having had extensive settlement discussions, discussed motions, discovery and were proceeding with trial preparation. For the two years from the date on which the complaint was filed, Mr. King and I were in frequent contact and plaintiffs were pursuing this action vigorously. The initial year's delay was at defendants' request which, since I perceived it was made in good faith, was honored. During the months between the filing of the answer and the early meeting report, Mr. King was seriously ill for several of them and after he recovered, discovery was proceeding. The meetings occurred. The work was done. The case was progressing. The rule had been satisfied in substance and the report ultimately filed was a complete and detailed one.

12. I must correct an additional error contained in defendants' papers and declarations which I find particularly offensive. I never stated to Mr. Coyne or anyone else that my clients were "uncooperative." I did tell Mr. Coyne that collecting and identifying documents from eight different parties, each of which was a major and complex corporation, could be a cumbersome process. That is a fact which has no bearing upon my clients' good faith and intent to cooperate in the appropriate discovery proce-

dures. Since my clients were the plaintiffs in this action, they certainly had no motivation to delay the resolution of an issue vital to their interests.

13. I must also state unequivocally that at no time did I suggest to Mr. King or Mr. Coyne that it was *necessary, from my point of view*, that Mr. King come to Los Angeles for any particular proceeding. He had local counsel, albeit they did little or nothing in the case. On the one occasion when it was necessary to approach the Court for guidance, I suggested that Mr. King appear by telephone. We had arranged all of the stipulations for continuances and discovery by telephone. Indeed, in my early conversations with Mr. Coyne, I specifically told him that I believed the discovery meeting could take place on the phone, followed by an exchange of written positions for the joint statement should defendants decide to make a motion to compel.

14. Finally, I feel compelled to comment on the contention that a meeting for discovery had been set in Washington, D.C. which I failed to attend. In fact, I took a short vacation in the early part of June of this year, with my husband, to attend certain events connected with the visit of Prime Minister Rajiv Gandhi to the United States. My husband is a member of the Indo-U.S. Subcommission and had been invited to these festivities. We were in Washington three days. During one of my conversations with Mr. Coyne, I mentioned that I would be in Washington for a few days' holiday and if at all possible might try to find a few minutes to visit his firm and discuss the status of the case with him and/or Mr. King. As it happened, the three days were filled with events and the occasion never presented itself for me to take time out from my vacation. When I returned to Los Angeles, I wrote Mr. Coyne to that effect.

15. Defendants' motion for sanctions is totally unwarranted. There has been substantial compliance and significant cooperation between the parties to this case since

its inception. I have done everything I could to accommodate out of state counsel with an immobile client who dearly wished from the inception of the action to have sufficient time to settle the case and become a licensee of the plaintiffs. Defendants' "knee jerk" antitrust counterclaims to this copyright action were intended to divert this Court's attention from the infringing acts alleged in the complaint and are based solely on the institution of this action by plaintiffs in their good faith effort to enforce their exclusive rights under copyright. Mr. King has admitted that if plaintiffs prevail on their copyright action, the antitrust counterclaims will fall. He has agreed that the two issues should be bifurcated. In light of this, his overly broad and burdensome discovery requests designed to harass plaintiffs and obtain proprietary trade information had been improper from the outset. The thrust of defendants' "antitrust" counterclaims is that plaintiffs will not let him do what he wishes to, notwithstanding that they believe his actions to be an infringement of their copyrights. Plaintiffs believe that the antitrust counterclaims are unmeritorious.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed in Los Angeles County, California on August 16, 1985.

/s/ DOROTHY WOLPERT

DECLARATION OF JOEL E. BOXER

I, JOEL E. BOXER, declare:

1. I am admitted to the bar of this Court, and I am one of the members of Nutter, Bird, Marella, Boxer, Wolpert & Matz, counsel of record for plaintiffs herein, who has been responsible for the prosecution of this action on behalf of the plaintiffs since its inception. I have first hand knowledge of the facts set forth below and would, if called as a witness at a hearing or trial, testify to these facts based upon my first hand knowledge.

2. As the Court file in this matter shows, and as is explained in greater detail in the accompanying declaration of Dorothy Wolpert, the first year to year and one-half of this litigation was marked by repeated requests to continue pleading deadlines, mostly initiated by counsel for defendants. These continuances were sought and obtained to facilitate attempts by defendants to negotiate settlements with each of the plaintiffs and because of the physical incapacity for a period of time of defendants' lead counsel.

3. As the Court is now aware, however, the extensive efforts to reach a settlement were not successful even though considerable direct negotiation occurred between the parties.

4. In or about June of 1985, I personally became involved in a series of discussions with representatives of each of the plaintiffs in order to determine if there were some method by which this case could be resolved without a trial. These discussions were very complex, partly because of the differing views various plaintiffs had on the subject of settlement. By late July 1985, I had reached the point in this case where I believed there was a significant possibility that plaintiffs could formulate a settlement proposal to defendants which, given prior position

tasks by defendants or their representatives, I thought would be an acceptable means of settling the litigation.

5. On July 30 and July 31, 1985 I received the authority from the last of the plaintiffs to make an overall settlement proposal. Concurrently I received the authority of the clients to proceed to file a motion for summary judgment on the copyright claims if the settlement proposal I was to make to defense counsel was not accepted or if there seemed no realistic possibility of settlement after I had made the proposal.

6. The last of the plaintiffs did not approve of the settlement offer I was to make to defendants on July 31, 1985 until literally just before the meeting when I conferred in person with that representative. I should add parenthetically that it was critical that all of the plaintiffs participate in the settlement offer because defense counsel had previously stated that a settlement of the dispute was not possible unless the entire case could be resolved at one time.

7. A meeting had been scheduled at defense counsel's request in Los Angeles for Wednesday, July 31, 1985. Prior to that meeting the only contact I personally had with defense counsel concerning the subject to be discussed at that meeting was a telephone call the prior week from Patrick Coyne, one of the Washington, D.C. attorneys representing defendants. I vividly remember that telephone conversation because I was quite surprised to learn just prior to it from my colleague Dorothy Wolpert that defendants lead counsel Jeffrey King wanted to meet personally in Los Angeles. This seemed to me to be a waste of his client's resources. Because of that, I remember starting my conversation with Mr. Coyne by saying, in substance, "I hope Jeffrey has other business in Los Angeles because its foolish for him to come to Los Angeles just to meet with us." Mr. Coyne did not respond directly except to say that Mr. King wanted to meet. He specif-

ically did not say that the purpose of the meeting was to discuss discovery issues. Because of that, I assumed the only purpose was to discuss the September 9, 1985 pretrial conference.

8. I met at the offices of defendants' local counsel for approximately 3 hours and 15 minutes in the late afternoon and early evening of Wednesday, July 31, 1985. I attended the meeting with Robert Rose, an attorney who is of counsel to our firm and a specialist in antitrust matters. The meeting ended just a few minutes before 7:00 p.m. because (a) we had exhausted all subjects to be discussed and (b) the parking lots where Mr. Rose and I had left our cars closed at 7:00 p.m. and we had to retrieve them. Attending the entire meeting on behalf of defendants was Laura J. Barns, local counsel for defendants, and Mr. King.

9. As soon as the July 31, 1985 meeting began, I made light comments about Mr. King's travel schedule and learned from him that he had flown out from Washington D.C. in the morning and planned to return later that evening to the east coast. I told him that I was very surprised that he came to Los Angeles just to attend a meeting of counsel since a telephone conference would have been much more economical and practical. Mr. King then told me he came out to attend the meeting in person solely because plaintiffs had insisted that he be present at any such meeting. I immediately responded that I had never taken such a position and I could not imagine anyone in my office taking such a position on behalf of plaintiffs. Mr. King then attributed the position to my partner Dorothy Wolpert. I told him I could not specifically deny the statement since I had never thought to ask her about such a matter, but I found the statement to be totally inconsistent with the way our office treats opposing counsel in general and has treated him in this case. [Subsequent to the July 31, 1985 meeting I conferred with Mrs. Wolpert and was advised by her in absolute terms that she never insisted that

Washington D.C. counsel attend the meeting in person in Los Angeles. By letter, I so advised defense counsel.

10. Mr. King started the July 31, 1985 meeting by announcing that he wished to discuss the pretrial conference order and discovery matters. I responded that I had two proposals which I thought would substantially ease the pre-trial burden in this case. I told defense counsel that plaintiffs were now in a position to discuss the subject of settlement in terms I believed (based on prior contacts between parties and counsel) would be satisfactory to defendants. I believe it would be inappropriate to outline here the details of the settlement proposal discussed at the meeting. However, I can state that the next 45 minutes of the meeting concerned solely the subject of settlement. During that period of time, defense counsel adjourned, purportedly to discuss the subject of settlement directly with their principal by telephone. At the end of this period, the parties were at a complete impasse on the subject of settlement and agreed only that, for the present, there did not seem to be any likelihood that the matter would be settled. Quite frankly, I found defendants' position inconsistent with positions previously taken by them in settlement negotiations.

11. I then told defense counsel in the July 31, 1985 meeting that I believed the case was now ripe for summary adjudication on the copyright issues based in part on a recent federal trial court ruling from Pennsylvania on issues substantially similar to the ones in this case. I told defense counsel that I would propose we establish a firm briefing schedule for plaintiffs' summary judgment motion and what I understood was defendants' counter-motion. Counsel for defendants then said that defendants had anticipated that such a motion would be brought and had already prepared the counter-motion which, in defense counsel's words, "in all probability" would be filed after defense counsel had an opportunity to review plaintiffs' moving papers. The parties then discussed a briefing

schedule for plaintiffs' motion for summary judgment and the anticipated counter-motion for summary judgment. The discussion was detailed and the parties worked out a schedule (including consolidated briefing on the two motions) with a hearing date of October 15, 1985. During the course of the discussion, defense counsel Barns contacted this Court's clerk to determine the Court's availability on Tuesday, October 15.

12. After the schedule had been worked out, I asked defense counsel if they would join in an application to the Court to postpone the pre-trial conference and establish the briefing schedule negotiated between the parties at the meeting. Defense counsel said that defendants would decline to join in the motion, but would not oppose such an application if brought by plaintiffs. I advised defense counsel I anticipated presenting the application to the Court within the next few days.

13. There was further discussion between the parties concerning the impact of the motions for summary judgment upon the remaining course of the case and possible settlement. All parties at the meeting stated their agreement that the copyright issues presented by the case could probably be decided by the Court upon summary judgment and that the Court's ruling on summary judgment could have a substantial impact on remaining issues in the case and, in particular, the affirmative defenses of copyright misuse and the counter-claims for antitrust violations. Defense counsel conceded at the meeting that if the motions for summary judgment were granted in plaintiffs' favor, defendants could not succeed on the misuse affirmative defense or the antitrust counter-claims. There was disagreement between the parties as to whether or not the affirmative defense and the counter-claims would be defeated even if plaintiffs did not succeed on the motion for summary judgment but the Court concluded that plaintiffs' prosecution of the lawsuit was in good faith. The parties, however, did agree that any ruling on the motion for sum-

mary judgment would have a substantial impact on the subject of settlement and that either party would be highly motivated to settle the case following the ruling on the copyright issue summary judgment motion(s).

14. Notwithstanding this discussion, defendants insisted on continuing the preparation for pre-trial of this case over plaintiffs' counsel's objection that this was a mere waste of time and posturing before the Court because the motion for summary judgment would substantially alter all parties' pretrial preparation. Nevertheless, the issues listed in Rule 9 of the Local Rules were discussed between the parties at the meeting although plaintiffs did not provide defendants at the meeting with a list of their trial witnesses and exhibits. There was, however, an extensive discussion between Mr. Rose and Mr. King concerning the nature of the antitrust counter-claims. Prior to that discussion, plaintiffs' counsel had not been informed in any comprehensive fashion by defense counsel of the nature of defendants' antitrust claims and, while plaintiffs do not believe defendants' claims have any merit, the meeting served the useful purpose of giving plaintiffs guidance as to what positions defendants would be relying on at trial in the area.

15. Approximately one-half hour before the meeting ended, defendants requested that the parties confer concerning the subject of plaintiffs' document production to defendants. As indicated in paragraph 7 above, I had not prepared to discuss this subject in detail because I had not been informed that discovery was the purpose of the meeting. However, at defendants' request plaintiffs' counsel discussed each and every one of the objections to defendants' production request. To plaintiffs' counsel's knowledge, there were no discovery issues remaining to be discussed when plaintiffs' counsel left the meeting a few minutes before the parking lots closed at 7:00 p.m.

16. The following day, August 1, 1985, I reported in detail to representatives of the plaintiffs concerning the substance of the meeting on July 31, 1985. Later in the day our office was advised that plaintiffs were considering retention of new counsel to represent them in this litigation. After the close of business on Monday, August 5, 1985, I was advised that plaintiffs had made a final decision to retain new counsel. The following morning, Tuesday, August 6, 1985, I met with principals of Rosenfeld, Meyer and Susman to discuss a transfer of this case to that office. The principal attorney in the Rosenfeld, Meyer and Susman office to whom the case was to be transferred, Stephen A. Kroft, was then on vacation so John Davies of that office and I discussed the bringing of the application to continue the pre-trial to allow Mr. Kroft time to return and negotiate a briefing schedule on the summary judgment issues with defense counsel. The application was prepared and submitted to this Court on Wednesday, August 7, 1985.

17. Prior to the filing of the Application, I had received by messenger on Monday, August 5, 1985 from defense counsel three hand-delivered letters, one of which stated that defendants were reneging on their agreement at the July 31, 1985 meeting to not oppose an application to continue the pre-trial conference.

I declare under penalty of perjury the foregoing is true and correct and that this declaration was executed this 23rd day of August 1985, at Los Angeles County, California.

/s/ Joel E. Boxer

DECLARATION OF ROBERT J. ROSE

I, ROBERT J. ROSE declare as follows:

1. I am a member of the Bar of this Court and I am of counsel to the law firm of Nutter, Bird, Marella, Boxer, Wolpert & Matz. I am submitting this declaration in support of the Plaintiffs' Opposition to Defendants' Motion to Produce.

2. I have been a practicing lawyer, primarily in the field of antitrust law, for ten years. For five years I practiced as a Trial Attorney with the Antitrust Division, United States Department of Justice, in both Washington, D.C. and Los Angeles, California. For over four years I was Senior Litigation and Antitrust counsel for one of the plaintiffs in this action, Twentieth Century-Fox Film Corporation. During my practice, both with the Department of Justice and at Fox, I have had occasion to both serve requests for documents in antitrust cases, and to respond to numerous discovery requests addressed to Fox.

3. I am familiar with the Defendants' and Counter-Claimants' Request for Production of Documents and Things Nos. 1-40, served by the Defendants on January 7, 1985 in this case.

4. I have examined that request for production of documents, and have determined that request Nos. 20 through 39 are in support of the Defendant's counter-claims. After reviewing this document request, it is my opinion that it is as broad as the document requests served on Twentieth Century-Fox and other studios by the ABC and CBS television networks in *United States v. Columbia Broadcasting System, Inc.*, and in *In Re Motion Picture Exhibitor AntiTrust Litigation*, Multi-District Litigation No. 366. In both of those cases, the document production required Fox to assemble a team of paralegals to respond to the request, resulted in production of tens of thousands of documents, and took almost six months of time.

4. In my opinion, the document request as a whole would require the production of at least 20 boxes of material from each plaintiff, and would require three paralegals at least four months to assemble, working full-time. As an estimate of the costs involved, in the networks litigation, referred to in the prior paragraph, the out-of-pocket costs for complying with a similar subpoena cost all the studios approximately \$2.3 million dollars.

I declare under penalty of perjury that the foregoing is true and correct and that this was executed at Los Angeles, California on August 23, 1985.

/s/ Robert J. Rose

[Verification and Proof of Service omitted in this printing]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

N. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

AND RELATED COUNTERCLAIM

FILED
AUG 30 1985
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Hearing Date: September 9, 1985
Hearing Time: 10:00 a.m.
Hearing Place: Courtroom No. 23

**DEFENDANTS' REPLY MEMORANDUM WITH REGARD
TO THEIR MOTION FOR SANCTIONS**

Defendants and counterclaimants, Professional Real Estate Investors, Inc., and Kenneth F. Irwin (collectively "Irwin"), respectfully submit this memorandum in reply to "Plaintiffs' Memorandum and Opposition to Defendants' Motion for Sanctions" and the "Declaration of Dorothy Wolpert and Joel E. Boxer." Irwin will not reiterate the arguments made in their Memorandum in Support of its motion. Rather they simply submit this memorandum to

respond briefly to plaintiffs' memorandum and to correct certain misstatements of facts made by plaintiffs in their memorandum.

Plaintiffs do not deny that they have violated this Court's rules on numerous occasions. In most instances, they simply ignore the violations altogether giving no explanation for their conduct. Plaintiffs also fail to cite a single case to support their position that sanctions are not warranted. Rather, plaintiffs attempt in their memorandum to divert focus from their own bad conduct by discussing at length some initial delays in this case. Plaintiffs misstate the facts concerning those earlier delays in an attempt to cast dispersions on Irwin. Even if true, those initial delays do not alter the fact that plaintiffs have violated the Court's rules on numerous occasions. Accordingly, since plaintiffs admit they have violated this Court's rules sanctions are appropriate.

ARGUMENT

I.

**PLAINTIFFS CONCEDE THAT THEY HAVE VIOLATED
THE RULES**

Plaintiffs fail to deny that they repeatedly violated this Court's rules. They do not even address their violations of Local Rule 6 in which they failed to hold an early meeting of counsel until ordered by this Court; failed to prepare an early meeting report; and failed to exchange documents with Irwin or provide Irwin with a list of witnesses with knowledge of this matter as required when the meeting was finally held. Plaintiffs have yet to produce the documents and information required under Rule 6. Similarly, plaintiffs ignore their violations of Local Rule 7 in which they failed to cooperate in discovery; failed to respond timely to Irwin's request for a meeting of counsel pursuant to Local Rule 7.15.1; and did not respond to

Irwin's proposed stipulation concerning the discovery dispute as required by Local Rule 7.15.4.

Plaintiffs only denial of a rule violation is that they were unprepared to discuss discovery at the July 31, 1985 meeting of counsel because they were unaware that the meeting would include discovery issues. This denial, however, is not supported by the facts. Irwin's counsel has stated that, in setting up the July 31, 1985 meeting, he specifically requested the meeting include a Rule 7 conference to discuss discovery. *Declaration of Patrick J. Coyne* at ¶ 7 (attached to original memorandum in support of the motion as Exhibit 6). Plaintiffs dispute this, but simple logic does not support their position. The plaintiffs were well aware that Irwin considered their response to the document request as inadequate. As the plaintiffs themselves admit, the parties were discussing this matter for months. As a result, it is absurd to now suggest that Irwin's counsel would have traveled from Washington to Los Angeles and not discussed the discovery matter. To support their position, Plaintiffs claim that they did not believe the meeting would include a discussion of the discovery dispute because Irwin wanted "to defer such discussion [of the discovery dispute] until such time as the document production was complete. . . ." *Declaration of Dorothy Wolpert* at ¶¶ 8-9. This is contradicted by plaintiffs' own statements. Plaintiffs admit that their counsel considered arranging the Rule 7 meeting in June of this year during a visit to Washington, D.C. Obviously, plaintiffs were well aware in June of Irwin's desire to meet to discuss plaintiffs' failure to produce documents. Their sudden ignorance in July is unexplained.

Notwithstanding this factual dispute, plaintiffs continued to violate the Rule 7.15 after the meeting. At the meeting Irwin provided plaintiffs with a proposed stipulation concerning the discovery dispute as required under local Rule 7.15.2. Plaintiffs were obligated to respond to that proposal within seven days. *Local Rule 7.15.4*. To date, thirty

days after the meeting, plaintiffs have yet to respond. Finally, plaintiffs admit that they knew the meeting was arranged pursuant to Rule 9. That rule requires the parties to discuss discovery. *See Local Rule 9.4.8*. Their refusal to discuss the discovery problem violated this rule even if plaintiffs were, as they claim, unaware that the meeting was to include a discussion of discovery pursuant to Rule 7.

Plaintiffs also fail to deny that they violated Local Rule 9 by not proceeding, as Irwin did, witness and document lists and a proposed stipulation of facts at the July 31, 1985 meeting. Instead, plaintiffs argue only that they made a settlement offer at the meeting which apparently is supposed to excuse their violation of the rules¹. Moreover, Rule 9 requires the parties to discuss settlement (*See Local Rule 9.4.11.*) and still provide the required lists and proposals. Plaintiffs last minute settlement discussion does not justify their violation of the rules. The mere fact that they were going to offer a settlement does not excuse them of their obligations under the rules. In fact, by plaintiffs' own admissions, "[t]he last of the plaintiffs did not approve of the settlement offer . . . until literally just before the meeting. . . ." *Declaration of Joel E. Boxer* at ¶ 6. Accordingly, plaintiffs were unaware a settlement offer could even be made until "literally just before the meeting." The witness and document lists and proposed stipulations that are required under Rule 9 should have been prepared before this. At best, this is a convenient excuse to cover up an obvious rule violation.

Plaintiffs provide the false impression that settlement negotiations have continuously taken place during the two and one-half years this matter has been pending. Quite to

¹ Normally, Irwin would not discuss settlement since those are private matters not subject to disclosure under Rule 408 of the Federal Rules of Evidence. However, as much as plaintiffs have raised the matter, Irwin will briefly discuss the settlement to correct some misstatements.

the contrary, settlement negotiations were initiated in May, 1983 and essentially terminated eight months later in January, 1984. Other than an indication at Kenneth Irwin's deposition that Irwin would continue to consider settlement, no discussions have taken place for over one and a half years. The settlement offered also included aspects that Irwin have previously indicated were unacceptable; plaintiffs could not therefore rely upon the rationale that Irwin would accept the proposal. An attempt to settle the case should not, and cannot excuse the failure of plaintiffs to abide by the rules of this Court.²

Plaintiffs only other "excuse" is that they intend to file summary judgment which, for unexplained reasons, should justify their previous and continuous rule violation. Even if the continuation of the pretrial conference mooted plaintiffs' violations of Rule 9, the other multiple violations exists. Plaintiffs do not, because they cannot, deny they repeatedly violated the Rules of this Court, and they have no feasible excuses for their actions.

II.

PLAINTIFFS PROVIDE NO LEGAL SUPPORT FOR THEIR POSITION THAT SANCTIONS SHOULD NOT BE IMPOSED

Plaintiffs' only contentions are that sanctions are inappropriate because Irwin acted in bad faith and that Irwin cannot demonstrate they were prejudiced by the rule violations. Plaintiffs fail to cite even a single case to support their novel position. Rather, they make these bald arguments and attempt in less than one page to distinguish three of the eleven cases cited by Irwin. Plaintiffs claim that Irwin acted in bad faith because "they reneged on their agreement not to oppose plaintiffs' application to the

² These facts are set forth in the Declaration of Jeffrey W. King, attached hereto as Exhibit 8.

court to continue the September 9 pretrial conference." *Plaintiffs' Memorandum In Opposition to Defendants' Motion for Sanctions* at ¶ 1. A more frivolous claim of "bad faith" could not be imagined. First, Irwin were under no obligation to agree to plaintiffs' request for an extension. Moreover, given the plaintiffs' failure to prepare for the pretrial conference, the extension was unwarranted. Finally, plaintiffs misstate the facts concerning this matter. Counsel for Irwin did represent that they would not likely oppose the motion for an extension of time. Irwin's counsel, however, specifically requested that the plaintiffs contact him and read him any language to be included in the motion indicating that Irwin would not to oppose the motion for an extension. Plaintiffs failed to do so. Accordingly, five days after the conference Irwin informed plaintiffs that Irwin reserved their rights to oppose the motion for an extension of the pretrial conference. Not only is this not bad faith, it cannot be an excuse for plaintiffs' continuous rule violation.

Plaintiffs next claim that sanctions are inappropriate in this case because Irwin cannot demonstrate that they were prejudiced as a result of the rule violations. Irwin have been significantly prejudice. As a result of plaintiffs' refusal to produce documents as required under the early meeting rules (Rule 6), Irwin were forced to file document requests. Many of these documents should have been freely given at the early meeting. Moreover, as a result of plaintiffs' refusal to cooperate in discovery, Irwin have been forced to prepare proposed stipulations, attend a meeting of counsel, and prepare a motion to compel. These violations, along with the Rule 9 violation, have inhibited Irwin from preparing their defenses and counterclaims. This is the very type of prejudice found by the Court in *Chism v. National Heritage Life Ins. Co.*, 637 F.2d 1328, 1331 (9th Cir. 1981) (plaintiffs' repeated rule violations "deprived the defendant of needed information increased

its litigation expenses and forestalled its preparation for trial").

Moreover, if sanctions were appropriate, only plaintiffs' unsupported argument fails to appreciate the purpose of sanctions in cases such as here. As the Supreme Court recognized in *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 537, 643 (1976), sanctions are to "deter those who might be tempted to such conduct in the absence of such a deterrent." Plaintiffs' conduct, not only prejudiced Irwin, but warrants sanctions in order to deter others from engaging in similar conduct.

Finally, plaintiffs' attempt to distinguish the cases cited in Irwin's memorandum supporting their motion is inadequate. Plaintiffs claim that the two cases principally relied by Irwin, are distinguishable. First, plaintiffs try to distinguish the decision in *Chism v. National Heritage Life Ins. Co.*, 630 F.2d 1328 (9th Cir. 1981) by arguing that there were "at least ten different conceded substantial violations of the courts' rule and orders. . . ." Plaintiffs do not describe what those "conceded substantial violations were." A review of plaintiffs' conduct, however, indicates they too had at least ten substantial rule violations: (1) plaintiffs failed to hold an early meeting of counsel (*Local Rule 6.1*); (2) plaintiffs failed to prepare an early meeting report (*Local Rule 6.2*) (in fact defendants ultimately prepared the report which plaintiffs then edited); (3) plaintiffs failed to produce any documents at the early meeting (*Local Rule 6.1.1*); (4) plaintiffs did not provide Irwin with the required list of witnesses at the early meeting (*Local Rule 6.1.4*); (5) plaintiffs failed to cooperate in discovery (*Local Rule 7* and *Fed. R. Civ. P. 26*); (6) plaintiffs failed to arrange for a meeting of counsel within 10 days of Irwin's request for such a meeting (*Local Rule 7.15.1*); (7) plaintiffs failed to participate in any meaningful manner in the Rule 7 meeting held on July 31, 1985 (*Local Rule 7.15.1*); (8) plaintiffs failed to respond within seven days to Irwin's proposed stipulation concerning the discovery

dispute (*Local Rule 7.15.4*); (9) plaintiffs failed to provide Irwin with witness or document list or a proposed stipulation of facts at the July 31, 1985 Rule 9 Meeting (*Local Rules 9.4.3-7*); and (10) plaintiffs failed to participate in the Rule 9 meeting in any meaningful way by discussing their claims or defenses (*Local Rule 9.4*).

These are essentially the same types of violations found in the *Chism* case. A review of that case indicated that the plaintiff, *Chism*, violated two basic rules: Rule 7, by failing to answer timely and adequately interrogatories, and failing to file a response to a motion on time; and Rule 9, by filing the memorandum of law and facts and a pretrial order late, and failing to provide witness and exhibit lists to the defendant. *Chism v. National Heritage Life Ins. Co.*, 637 F.2d at 1329-30. In the present case, the plaintiffs have violated, not only *Local Rules 7* and *9* but also *Local Rule 6*³.

Plaintiffs cannot distinguish these cases by claiming they are merely "extreme examples." The facts illustrate that plaintiffs' conduct in this case is also extreme. Plaintiffs numerous rule violations and their continual failure to abide by them should not be tolerated. A failure to issue sanctions would indicate that parties before this court can repeatedly violate the rules without fear of any reprisal.

³ Plaintiffs also tried to distinguish the decision in *Transamerica Corp. v. Transamerica Bancgrowth Corp.*, 627 F.2d 963 (9th Cir. 1980) principally upon the fact that the Court expressly warned sanctions would be imposed for subsequent violations. The rules of this Court specifically warn the plaintiffs that sanctions, including dismissal, may be imposed for violation of the rules. See e.g., *Local Rule 7.15.4*. Plaintiffs apparently are claiming that sanctions are warranted only *once they have been warned* to abide by the rule. If this were the rule, then every party would be allowed to ignore rules until the court specifically tells them to stop. This simply is not the law.

III.

PLAINTIFFS ATTEMPT TO AVOID RESPONSIBILITY
FOR THEIR CONDUCT

Plaintiffs attempt to avoid discussion of their numerous rule violations by trying to focus on the earlier delays in this case. Instead of addressing directly addressing their own conduct, plaintiffs attempt to cast Irwin in a bad light. Even if true, this does not alter the facts concerning plaintiffs' contentions bad faith conduct. Moreover, plaintiffs' contentions are not accurate. Rather than identify all the inaccuracies contained in plaintiffs' memorandum and supporting declarations, only the claim that Irwin caused a substantially delay in the proceeding will be addressed below.

Plaintiffs attempt to characterize their behavior as "marked by unusual patience . . . while defendants attempted to negotiate for one and one-half years of settlement of the entire law suit." *Plaintiffs' Memorandum In Opposition To Defendants' Motion for Sanctions* at 1-2. This is simply false. This case was filed on April 25, 1983. An answer to the complaint was delayed by approximately 8-1/2 months while *the parties* attempted to negotiate settlement. Settlement negotiations broke down in January, 1984, and the Answer was filed on February 9, 1985.⁴

Plaintiffs then requested an extension of time within which to respond to the counterclaims filed by Irwin as part of their answer. Defendants renewed their requests four additional times until they had to August 28, 1984 to file the reply to the counterclaims.⁵

⁴ See Declaration of Jeffrey W. King, attached hereto as Exhibit 8.

⁵ Irwin's request for an extension of time indicated that "this extension is requested in Order to permit the parties to continue explore the possibility of settlement." In contrast, all but one of plaintiffs' request for an extension of times give no reason for the request. In fact, settlement was not actively being explored at that time.

Attempting to focus this matter away from their own improper conduct, plaintiffs also claim that "during the month between the filing of the Answer and the early meeting report, Mr. King [Irwin's counsel] was seriously ill for several of them and after he recovered, discovery was proceeding." *Declaration of Dorothy Wolpert* at ¶ 11. The fact is that Irwin's counsel was hospitalized during the month of August. There was, however, no activity required of counsel during that month. There was no request made to hold an early meeting during that time; nor were any discovery requests made. In fact, the case laid dormant pursuant to the request for an enlargement of time to allow plaintiffs to reply to Irwin's counterclaims. Accordingly, plaintiffs did not "put off a number of previously scheduled proceedings until [Irwin's counsel] recover . . ." *Declaration of Dorothy Wolpert* at ¶ 5. There simply was nothing to put off.

The record of this case reflects that no activity took place in the case until August 27, 1984 when plaintiffs filed their replies to Irwin's counterclaims and filed a notice of deposition and a request for production of documents. Plaintiffs, however, claim that Irwin's deposition was scheduled only "after many months delay. . . ." *Declaration of Dorothy Wolpert* at ¶ 5. The fact is, that plaintiffs scheduled Mr. Irwin's deposition on October 1, 1984. The deposition actually took place on November 15, 1984—a 45 day delay from what was initially scheduled by plaintiffs. Irwin's counsel had a trial during the month of October and accordingly the deposition was rescheduled to the latter part of October. A dispute arose, however, concerning whether the deposition would take place in Los Angeles or Palm Springs. After appealing to this Court, the deposition took place in Palm Springs and was commenced on November 15, 1985. The deposition was continued until January 15, 1985. The reason for the continuance was not any delay by Irwin. Rather, plaintiffs had requested production of documents to coincide with

the deposition. Plaintiffs requested that Mr. Irwin's deposition be continued until after they had an opportunity to review the documents produced. *Deposition of Kenneth Irwin* at 126-132. (A true copy of the pertinent parts of the depositions is attached as Exhibit 9). A forty-five day delay, especially in light of the fact that there was dispute as to the location of the deposition which had to be resolved by this Court, is a far cry from the "many months delay" alleged by plaintiffs.

Plaintiffs' attempt to look at these early delays as an excuse for their numerous rule violations is a ploy that does not work. Not only is plaintiffs' attempt to lay blame for these delays on Irwin inaccurate, but the fact that the parties had some delays in the early part of this proceeding does not excuse plaintiffs' subsequent continuous violations of the rules of this court.

CONCLUSION

Plaintiffs have failed to explain any of their misconduct in this case. Accordingly, for the reasons set forth above and in memorandum in support of its motion previously submitted, Irwin respectfully request this court to issue an order dismissing this case and ordering plaintiffs to pay the cost along with reasonable attorney fees, that Irwin incurred preparing the early meeting report under Rule 6, and in preparing for and attending the Rules 7 and 9 meetings.

Respectfully submitted,

COLLIER, SHANNON, RILL & SCOTT

JEFFREY W. KING

~~PATRICK J. COYNE~~

MICHAEL J. DENNIS LAW CORPORATION

MICHAEL J. DENNIS

LAURA J. BARNES

By /s/ Jeffrey W. King

Jeffrey W. King

Attorneys for Defendants and Counter-
claimants Professional Real Estate
Investors, Inc., and Kenneth F. Irwin

Exhibit 8

DECLARATION OF JEFFREY W. KING

I, Jeffrey W. King, declare:

1. I am a member of the Bar of the District of Columbia and a member of the law firm of Collier, Shannon, Rill & Scott. I have been principally responsible for the defense of the case *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.* (Case No. 82-2594 W.P.G.), since this case was initiated. I have firsthand knowledge of the facts set forth below and, if called as a witness at any hearing or trial, would testify to these facts based upon my firsthand knowledge.

2. No serious settlement negotiations have occurred since early 1984. Settlement was briefly discussed at the January 15 deposition of Kenneth Irwin. No firm offer or details, however, were discussed at that meeting. Since that time there has been no discussion of settlement until plaintiffs made a settlement offer at the July 31, 1985 meeting of counsel.

3. The settlement offer made by plaintiffs at the July 31, 1985 meeting included provisions which plaintiffs already had been informed would not be acceptable under any circumstance to Mr. Irwin or his company.

4. At the July 31, 1985 meeting, plaintiffs did request a continuance of the pretrial conference. I informed them that it was unlikely that I would oppose their request but I would not support it. Moreover, I stated that I specifically wanted them to contact me and read to me over the phone any language they were going to put into the motion to explain to the court that I was not going to oppose the motion. I informed plaintiffs' counsel that I wanted to hear the language before it was submitted to ensure that none of my clients' rights were waived with regard to the plaintiffs' numerous rule violations. I did not hear from plaintiffs or his counsel for several days, I in-

formed them that my client were preserving their rights to oppose the extension.

5. In 1983, I made a request for several extensions of time in which to file an answer and responsive pleadings in order to allow the parties an opportunity to discuss settlement. I did not request any additional extensions of time after January 1984. All additional extensions of time were made pursuant to the request of the plaintiffs.

6. In August 1984 I was hospitalized as a result of an illness. I was out of the hospital and back at work in early September 1984. I am unaware of no action that was pending during my illness with regard to this case. I am also unaware of any delays that have resulted because of my illness.

7. Finally, just to clarify the record, I have never informed the plaintiffs or their counsel that my clients' counterclaims and affirmative defenses would fail if plaintiffs were to prevail on their claims of copyright infringement. I did agree with plaintiffs' counsel, however, that if they were to prevail on the copyright issues, settlement of all the claims is very likely. Similarly, plaintiffs agreed that if my clients were to prevail on the copyright issues, settlement of the counterclaims was a likely.

I DECLARE, under penalty of perjury, that the foregoing is true and correct and that this declaration was executed this 29th day of August, 1985, in Washington, D.C.

/s/ Jeffrey W. King
JEFFREY W. KING

Exhibit 9

CERTIFIED COPY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No: 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware
corporation; et al.,

Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN

Defendants.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Counterclaimants,

vs.

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware
corporation; et al.,

Counterdefendants.

Deposition of KENNETH FRANCIS IRWIN, taken before
JERI J. GREENUP, Certified Shorthand Reporter, #6477,
Notary Public in and for the County of Riverside, State
of California on behalf of Plaintiffs at 210 North Alejo
Road Palm Springs, California, commencing at 12:00 p.m.,
Tuesday, November 13, 1984, pursuant to Notice.

APPEARANCES:

FOR THE PLAINTIFFS and COUNTERDEFENDANTS:

Nutter, Bird, Marella, Boxer, Wolpert & Matz
Attorneys at Law

BY: DOROTHY WOLPERT

340 North Camden Drive, Ste 300

Beverly Hills, California 90210

FOR THE DEFENDANTS AND COUNTERCLAIMANTS:

Collier, Shannon, Rill & Scott

Attorneys at Law

1055 Thomas Jefferson Street, N.W.

Washington, D.C. 20007

[126]MRS. WOLPERT: Well, you have facilities for copying?

THE WITNESS: I have a copy machine

MRS. WOLPERT: Well, I would suggest to you that your copy machine will be greatly overtaxed in doing this, but I will leave it to you and your lawyer to figure out how you want to do it. I think it would be more efficient to do it the way I suggest, however I'll leave it to you.

Off the record.

[Off the record discussion]

MR. KING: With regard to the documents, Mrs. Wolpert was informed there was a large volume of documents.

It was suggested to her by letter from me that she make advance arrangements to review the documents. She has not done so. She reviewed them today.

We are available now for her to review these documents as we are available to have this deposition taken. So I think this deposition will be postponed and reconvened at another day when she's had this opportunity. It's just unreasonable as far as as we are concerned. If she wants to complete the deposition now she can complete it.

MRS. WOLPERT: Are you prepared to sit here all night?

MR. KING: Yes.

MRS. WOLPERT: That is an unreasonable position since we could not subject a court reporter, the deponent or ourselves to do it.

I think Mr. King is a sufficient lawyer to know that many depositions go on more than one day and there are hiatus between the sections. Since he has refused to provide [127] me with copies of any documents and only provide originals, which he will not turn over to the court reporter, or allow her to make copies, I am in a difficult

position in terms of questioning the witness about the documents, making copies available for the reporter, et cetera, et cetera, et cetera.

I suggest in the interest of avoiding unnecessary and pointless conflict, that I just tell you at this time that the deposition will be continued to another day mutually convenient, and I hope we can arrive at that without resort to the court. Since my client is paying their legal fees, unlike yourself, those kinds of things sit unhappily on them.

But be that as it may, there will be a need for further deposition time with Mr. Irwin, not only because of the production of documents and the manner of the production, but just because I haven't finished and it's been a long day for you and everybody else.

So I won't question that now. In accordance with your obligations under the Federal Rules of Civil Procedure, you tell me how you are going to produce these documents.

MR. KING: We have produced these documents.

MRS. WOLPERT: You have not allowed me the opportunity to have them copied.

MR. KING: We told you we will copy them for you.

If you had come out earlier and seen the documents you could have designated all of them and they would be available to you.

What I would ask you to do is complete the lines of questions that do not need the documents, and we will [128] reconvene, if we determine that is appropriate, and hopefully not having to resort to court, we can have the continuation done on the documents. But why don't we complete the deposition that does not need the document review.

MRS. WOLPERT: I have completed all the questions I can with Mr. Irwin without further recourse to the documents.

Another problem is he doesn't seem to know too much about them, so it may be that what we'll do when we have an opportunity to review them, we will find out from him who really knows these documents and proceed in that manner.

MR. KING: Again, much of the information in these documents is information we will stipulate to.

MRS. WOLPERT: Wonderful.

MR. KING: Regarding most of the information you asked for today. I would hate to think we would have to resort to further depositions and discovery when we can so easily come to an agreement on stipulated facts.

MRS. WOLPERT: Fine. I look forward to that Mr. King. And once I have had an opportunity to look at the documents, and I'm still trying to do so, and get copies of them, maybe I could suggest to you what questions I would ask.

If you want to say we admit all of that, then there won't be any need for further deposition. What I suggest at the moment that we do, since you do not practice in the State of California very much, look at our calendars and fix a tentative date since the three of us are in the same room.

MR. KING: I left my calendar in my hotel room, but I [129] have a relatively clear idea of what it is.

MRS. WOLPERT: Let's fix a date that Mr. Irwin would will be available.

MR. KING: I'm not agreeing Mr. Irwin will be available, but if you want to fix a date, that's fine. let us consider that.

MRS. WOLPERT: Let me understand your position, Mr. King, since you are not around very much. If you are taking the position now that I have no right to adjourn

this deposition and continue it on another day, I want to know that.

MR. KING: I have difficulty with the idea that you are adjourning because you have not had an opportunity to review the documents completely.

MRS. WOLPERT: That is not the basis exclusively.

MR. KING: Then what is the basis?

MRS. WOLPERT: It's in the record. Do you want me to repeat it?

MR. KING: I would appreciate if you would repeat it.

MRS. WOLPERT: One day of deposition has not been adequate to fully cover the subject matters with Mr. Irwin that I need to cover. Now I have to tell you that I admit that in part that was because I was almost two hours late today. Unfortunately that was not my fault, and it's very possible if I had had those two hours I would have completed the deposition without the documents, but obviously the documents are very significant and I have not had an opportunity to review them.

[130]The other basis is it is more than a day's deposition anyway, and I would need more than a day with Mr. Irwin, which I'm entitled to.

MR. KING: We have no question that you are entitled to complete Mr. Irwin's deposition. You indicated earlier you could not move forward without review of the documents which I understand you were complete except for the documents.

It is 5:30 now. We have only been doing this deposition, excluding the recesses, for probably less than five hours. Why don't we continue on with the deposition and see if we can complete it to the extent you can without resorting to the documents.

MRS. WOLPERT: For one reason, the court reporter has informed me she's not prepared to go beyond 6:00. For

another, I have a two-hour drive back to Los Angeles, and I'm not prepared to go beyond 6:00 o'clock.

THE WITNESS: Why don't you stay overnight?

MRS. WOLPERT: I don't care to stay over night, Mr. Irwin, thank you.

Having to come to Palm Springs for this was done for a convenience to your client's needs.

MR. KING: That was based on a court order.

MRS. WOLPERT: Based on what?

MR. KING: Based on your refusal to consider my client's needs.

MRS. WOLPERT: So we are here out of consideration of your client's personal needs. I have not asked Mr. Irwin questions about that.

[131]MR. KING: Please go forward and do so.

MRS. WOLPERT: I have no desire to.

Be that as it may, we are here for that purpose, and I'm sure that the court, having once considered Mr. Irwin's needs, will have an equal interest in the needs of all the other parties and counsel to this action.

I know it's a hardship for you.

MR. KING: It's not a hardship, it's a disruption to this man's business that is of most concern to me.

MRS. WOLPERT: Litigation is a disruption to everyone's business.

MR. KING: We understand that and we are trying to minimize it. You indicated the deposition will go today and tomorrow.

MRS. WOLPERT: Can I have all the copies.

MR. KING: Do you mean by noon tomorrow?

You cannot, but you can have available throughout the night. You were well informed that you would not be able to have these documents unless—

MRS. WOLPERT: I'd like to go of the the record.

[Off the record discussion]

MRS. WOLPERT: We have stipulated off the record as follows:

Mr. Irwin will reproduce for me those documents which we will designate, and send them to his lawyer, I guess Mr. King, and he will send them to our offices so we can mark those that are confidential.

And the documents will be received in our offices [132] by December 1st.

Does that create a problem for you?

THE WITNESS: That's a little tight. It depends on how many she wants. Can we go off the record for a second?

MRS. WOLPERT: Yes.

[Off the record discussion]

MRS. WOLPERT: The documents will be delivered to my office no later than December 13, 1984, and we will re-schedule the continued deposition of Mr. Irwin on the documents sometime during the week of January 9th, 1984, at the convenience of all of the parties and Mr. king.

We can stipulate that the reporter is requested to prepare and send to the parties the first volume of the deposition with its attached exhibits as soon as it's ready, in the normal course.

We will submit to the deponent both volumes of his deposition for correction and signature after the completion of the deposition.

If the deposition is not signed and corrected within 60 days of receipt, a certified copy can be used at a trial of this action as though it were signed and corrected.

[Whereupon the deposition was adjourned at 5:40 p.m.,
to be rescheduled.]

[Whereupon Plaintiff's Exhibits 1 through 7 were
marked for identification by the Notary Public.]

[Certificate of Service omitted in this printing]

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NO. CV 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., etc., et al.,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, etc., et al.,
Defendants.

AND RELATED COUNTERCLAIMS

**NOTICE OF MOTION AND MOTION FOR SUMMARY
JUDGMENT AND PERMANENT INJUNCTION;
MEMORANDUM OF POINTS AND AUTHORITIES**

**Hearing Date: 11/18/85
Time: 10:00 A.M.
Courtroom No: 23**

[Table of Contents omitted in this printing]

[Table of Authorities omitted in this printing]

TO DEFENDANTS AND TO THEIR ATTORNEYS OF RECORD:

YOU, AND EACH OF YOU, WILL PLEASE TAKE NOTICE that on November 18, 1985, at 10:00 A.M., or as soon thereafter as the matter can be heard, plaintiffs will move the Court, in the courtroom of the Honorable William P. Gray, United States District Judge, located at the United States Courthouse, 312 North Spring Street, Los Angeles, California, and plaintiffs do hereby move the Court, for an order pursuant to F.R.Civ.P. 56 (a) and (d) granting summary judgment in plaintiffs' favor on the Complaint herein (i.e., on the issue of defendants' liability) and awarding to plaintiffs statutory damages and a permanent injunction in the form set forth in the Proposed Summary Judgment lodged concurrently herewith.

The motion will be based on the grounds that there is no genuine issue as to material fact with respect to (a) the issue of whether defendants have infringed, and are infringing, plaintiffs' exclusive rights to publicly perform, and to authorize the public performance of, the copyrighted motion pictures referred to in Exhibit A to the Complaint and (b) the issues raised by defendants' affirmative defenses, and that plaintiffs are entitled to judgment and an award of statutory damages and a permanent injunction as a matter of law. The grounds for these contentions are set forth with particularity in the accompanying Memorandum of Points and Authorities.

This motion will be based upon this Notice of Motion and Motion, the Declarations, Memorandum of Points and Authorities, proposed Statement of Uncontroverted Facts and Conclusions of Law and Proposed Summary Judgment filed and lodged concurrently herewith, and upon all of the pleadings, records and papers on file herein.

DATED: September 30, 1985.

Respectfully submitted,

ROSENFELD, MEYER & SUSMAN
STEPHEN A. KROFT
MAREN CHRISTENSEN

By: /s/ Stephen A. Kroft
STEPHEN A. KROFT
Attorneys for Plaintiffs and
Counterdefendants

Of Counsel:

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105 Madison Avenue
New York, New York 10016

MEMORANDUM OF POINTS AND AUTHORITIES INTRODUCTION

This is an action for infringement of plaintiffs' exclusive rights under the Copyright Act (17 U.S.C. §§ 101 et seq.) to publicly perform and to authorize the public performance of 65 copyrighted motion pictures owned and/or controlled by them. The action is based on the undisputed facts that defendants, who own and operate La Mancha, a Palm Springs resort hotel open to the public, are renting video discs of plaintiffs' motion pictures to their hotel guests for the express purpose of permitting them to view those motion pictures by means of video disc players and television screens placed in their hotel rooms by defendants.¹ By so doing, defendants are depriving plaintiffs of an important source of revenue, *i.e.*, the right to license public performances of their copyrighted works in hotels and hotel rooms for a fee.

Since defendants' hotel, including its guest rooms, is open to the public, plaintiffs submit that the performances authorized therein by defendants constitute infringing public performances as a matter of law. And, since the facts on which this contention is based are undisputed, this legal issue is uniquely suited to disposition by summary judgment, thereby entitling plaintiffs to a permanent injunction and statutory damages.²

¹ Video discs and video disc players are similar to pre-recorded video cassettes and video cassette players. When the video disc is played on a video disc player wired to a television set, the motion pictures contained on the video disc can be viewed on the television screen to which the player is wired.

² In addition to the Complaint filed by plaintiffs, defendants have filed a counterclaim based on alleged violations of the antitrust laws, breach of contract and unfair competition. Plaintiffs believe that the counterclaim is completely devoid of merit. Plaintiffs also believe, however, that it would unduly complicate this motion to address the issues raised by the counterclaim at this time; and, since all parties appear to agree

THE UNDISPUTED FACTS

A. The Parties

1. Plaintiffs

Plaintiffs produce and distribute theatrical motion pictures. They own the copyrights in, or the exclusive rights to license the public exhibition of, the 65 motion pictures which are the subject of this suit.³ Copies of the copyright certificates and written agreements which establish such ownership are attached to the supporting declarations filed concurrently herewith.

Plaintiffs derive revenues from their copyrighted motion pictures by licensing them for exhibition in motion picture theaters, on "free" and pay television and through various other means of exhibition, including exhibition in hotels and motels, and by selling, or authorizing the sale of, copies of the motion pictures on pre-recorded video discs and video cassettes for non-public exhibition. Plaintiffs derive revenues from hotel and motel exhibition of these motion pictures in various ways:

- (a) They license companies which are authorized to grant licenses to hotels and motels for in-room closed circuit performances of their motion pictures, with guests paying a fee for each motion picture viewed. In fiscal 1984 Warner Bros. Inc.,

that the disputes raised by the counterclaim can be resolved without additional litigation if a summary judgment is granted on the Complaint, this motion focuses solely on the issues raised by the Complaint (and the Answer thereto) as permitted by F.R.Civ.P. 56 (a) and (d).

³ The Complaint alleges infringement of 74 motion pictures owned or controlled by plaintiffs. However, discovery has revealed that 9 of those motion pictures, though offered for rental by defendants, have apparently not been actually rented. Accordingly, only 65 motion pictures are currently at issue. See Develin Decl., Exh. "A".

for example, derived revenues from this manner of exhibition in excess of \$1,500,000;⁴

- (b) They license companies which are authorized to grant licenses to hotels and motels for in-room closed circuit performances of their motion pictures free to guests. In fiscal 1984 Warner Bros. Inc. derived revenues from this manner of exhibition in excess of \$150,000;
- (c) They license motion pictures to companies which deliver an over-the-air broadcast signal to cable systems authorized to have hotels and motels as customers; the latter distribute such signals to their rooms. In fiscal 1984 Warner Bros. Inc. derived revenues in excess of \$95,000 from this manner of exhibition;
- (d) They license pay cable television networks to authorize hotels and motels (a) to retransmit their pay cable network signals or (b) to become customers of cable systems affiliated with such pay cable networks. In both instances the hotels and motels distribute such network signals to their guest rooms. The manner in which such networks pay plaintiffs makes it impossible to quantify the revenues which plaintiffs derive from this source. (See Sorkin Decl.).

2. Defendants.

Defendant Professional Real Estate Investors, Inc. ("PREI") owns and operates a luxury resort hotel in Palm Springs known as La Mancha Private Club and Villas ("La Mancha"). Defendant Kenneth F. Irwin ("Irwin") is the sole stockholder and President of PREI and the chief op-

⁴ All plaintiffs conduct their hotel and motel licensing business in a manner similar to Warner Bros. Inc. (See Klingensmith, Krieger, Krug, Smitas, Rosen, Giaquinto and Kramer Declarations).

erating officer and manager of La Mancha (Irwin Depo. 28/17-27, 29/9-13, 30/3-12, 163/23-164/3, 208/5-7).⁵

Prior to La Mancha's institution of the unauthorized video disc movie program which is the subject of this suit, La Mancha subscribed to, and paid for, a pay cable television service by which motion pictures were transmitted to (and hence performed in) La Mancha's guest villas. However, after instituting their video disc movie program in Fall, 1981, defendants discontinued the cable television service and thus ceased paying for performances of plaintiffs' motion pictures in La Mancha's villas. (Irwin Depo. 63/22-64/14).

B. The Nature of the La Mancha Hotel Facilities.

The accommodations at La Mancha consist of one, two and three bedroom apartment suites characterized by defendants as "private villas". There are 50 such villas, each of which has its own kitchen and patio as well as a private or semi-private swimming pool. (Irwin Depo. 43/6-25; Exh. 9).⁶ As with any hotel or motel, guest occupancy in the villas is administered through a central office and registration desk where guests check in and out. (See Beatie Decl.).

Amenities offered to guests of La Mancha, like the amenities offered by other resort hotels, include a restaurant, room service, gymnasium, saunas, massage services and facilities, tennis and paddle tennis courts, bicycles and golf putting green. (Beatie Decl.; Irwin Depo. 114/13-17; Exhs. 9-13). Villa accommodations at La Mancha rent from

⁵ The pages from Mr. Irwin's deposition referred to herein are attached to the Declaration of Stephen A. Kroft filed concurrently herewith.

⁶ Copies of all numbered exhibits referred to herein are attached to the Declaration of Stephen A. Kroft. Exhibits identified by letters are attached to other supporting declarations as indicated in the text.

\$175 to \$610 per night, including daily maid service. (Exh. 9).

Although defendants characterize La Mancha as a "private club" (Irwin Depo. 35/11-17), it is unquestionably open to the public. Indeed, defendants advertise La Mancha nationwide as a "destination resort", offer group rates and offer the La Mancha villas by the night. (Exhs. 2, 9-11, 14-16, 21, 52; Irwin Depo. 35/18-36/20). Moreover, to stay at La Mancha, one need only call the hotel and reserve a room or make a reservation through a travel agent. (See Beatie, Porter and Smith Decls.; Irwin Depo. 49/10-11; Exhs. 9-11). No proof of membership in the "club" is required for such a reservation. Nor is any such proof of membership required of a guest registering at La Mancha. Upon registering, La Mancha's front desk personnel request only a credit card and driver's license. (See Beatie, Porter and Smith Decls.; Irwin Depo. 48/2-11, 48/27-49/9).

C. Defendants' Advertising Activities.

To attract members of the general public, defendants have extensively advertised La Mancha in several prominent national and regional publications such as *The New Yorker Magazine*, *Forbes Magazine*, *Los Angeles Times*, *Chicago Tribune*, *Los Angeles Magazine*, *San Diego Magazine* and *Travel & Leisure*. (Irwin Depo. 146/1-27, 148/7-8; Exhs. 2, 14-16, 52). In addition, Irwin has prepared and distributed press releases and brochures to inform the public about La Mancha. (Irwin Depo. 138/7-140/27; Exhs. 12, 13).

D. La Mancha's Infringing Movie Program.

One of the guest services most heavily emphasized in defendants' advertisements and brochures, and the focus of this suit, is the availability of movies for exhibition in La Mancha's guest villas. (See e.g., Exhs. 2, 9-11, 14, 16, 52). For example:

12/5/83 ISSUE OF THE NEW YORKER MAGAZINE

[Article omitted in this printing]

"It's easy to spend you're a millionaire in Palm Springs. I stayed at a magnificent resort and called La Mancha."

— Bruce Goldstone, *Los Angeles Times* Movie Review

PRIVATE POOL VILLAS

PALM SPRINGS

"Perfect Interlude"

Swim under the sun and relax in your totally private pool - just steps outside your luxuriously appointed air-conditioned private villa with full kitchen and poolside BBQ. Watch full-length motion pictures with RCA disc player on your wide screen TV. European club breakfast available.

Highly-licensed tennis
Hunting park use
Daily maid service

LA MANCHA PRIVATE VILLAS AND COURT CLUB

"A Destination Resort"

444 Avenida California, Palm Springs, CA 92262

Call for Reservations

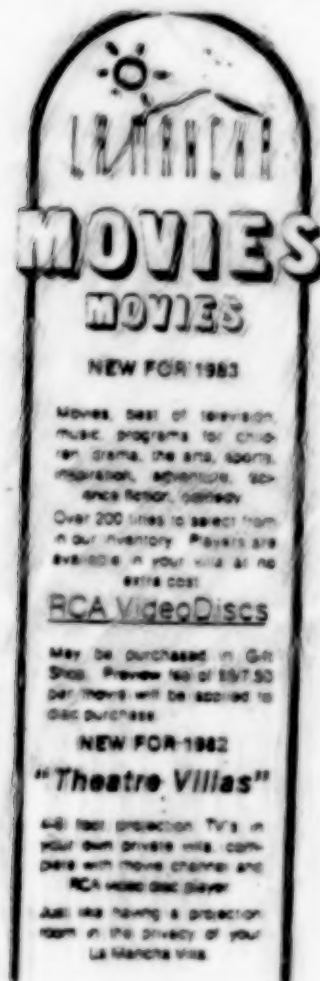
Outside California

(619) 323-1773 - (800) 854-1298

(Exh. 2)

LA MANCHA BROCHURE

[Article omitted in this printing]



(Exh. 10)

As indicated in these advertisements and brochures, each La Mancha guest villa is equipped with both a video disc player and a television screen, many of which consist of 4'-6' projection TV screens (Irwin Depo. 16/22-24, 44/27-45/13). Video discs for viewing through these disc players are made available to La Mancha's guests in the hotel's registration/gift shop area. (See Beatie and Porter Decs.;

Irwin Depo. 41/14-19). These discs have been manufactured by RCA under written licenses from plaintiffs and have been sold by RCA to defendant Irwin pursuant to a dealership agreement between Irwin and RCA. (Irwin Depo. 66/2-8, 69/19-70/14). None of RCA's licenses with plaintiffs grant RCA or Irwin (or anyone else) the right to publicly perform, or to authorize the public performance of, the motion pictures contained on such discs. (See Sorkin ¶ 3), Klingensmith (¶ 5), Krieger (¶ 5), Krug (¶ 5), Rosen (¶ 5), Smitas, Giaquinto (¶ 5) & Kramer (¶ 5) Decs. Irwin depo. 88/18-24).⁷

The video discs offered by defendants for viewing in La Mancha's guest villas are on display on a rack in the registration/gift shop area. (See Beatie and Porter Decs.). Although these discs are offered for both sale and overnight rental, rentals account for the vast majority of defendants' video disc revenues. (Irwin Depo. 74/2-75/6). Moreover, despite defendants' contention that their discs are available for rental to both guests and *non*-guests of La Mancha, defendants have never rented a video disc to anyone other than a guest of the hotel (Irwin Depo. 19/5-7, 124/25-125/2).

The guest fee charged for use of La Mancha's video discs is \$5.00 per night for movies contained on a single disc and \$7.50 per night for movies on two discs. (See Beatie Decl.; Irwin Depo. 196/25-197/20, 201/1-23, 205/6-28; Exhs. 38, 40, 41). These fees are generally billed to the guest's rooms and paid for when the guest checks out. (*Id.*). Revenues received by La Mancha from payments of such video disc fees have averaged about \$12,000 per year (Irwin Depo. 227/5-228/10; Exh. 45).

⁷ Irwin may, of course, sell these discs to non-guests pursuant to his RCA dealership agreement. Plaintiffs do not challenge such sales in this action. Nor is the practice of renting videodiscs for private home viewing involved here.

More than 300 movie titles have been offered by La Mancha for viewing by its guests, including at least 74 titles owned by plaintiffs. (Exhs. 11, 51; Exh. "B" to Porter Decl.). As a rule, La Mancha maintains only one video disc copy of each title. (Irwin Depo. 97/21-98/11). Generally, each time a disc is rented to a guest for viewing in his or her villa, the rental is recorded on a file card maintained for each title. (Irwin Depo. 106/2-9; 107/12-108/18; 109/23-110/26; Exh. 37 and Exh. "B" to Devlin Decl.) These cards confirm that at least 65 titles owned by plaintiffs were actually rented to La Mancha's guests for viewing in their villas and that many of these titles have been rented for such purposes on multiple occasions. (Irwin Depo. 108/23-109/14; Devlin Decl.) Investigators retained by plaintiffs have confirmed La Mancha's movie program activities, having stayed at La Mancha on two separate occasions and viewed in their villas several of plaintiffs' motion pictures rented to them by La Mancha employees. (See Beattie & Porter Decls.).

E. La Mancha's Movie Program Is Without The Consent Of Plaintiffs

As noted above, the licenses issued by plaintiffs to RCA do not grant to either RCA or Irwin the right to publicly perform, or to authorize the public performance of, plaintiffs' motion pictures. Nor have plaintiffs ever consented to the movie rental and viewing program offered

* These records are not kept meticulously. For example, no cards were produced by defendants for some titles. Moreover, rentals of several discs which were viewed by Kathy Beattie, an investigator who stayed at La Mancha in January, 1983, were not recorded on defendants' file cards. (See Irwin Depo. 110/8-13, 198/26-28, 200/8-13, 201/4-205/28 & Exhs. 38-41).

For example, plaintiff Columbia's "Kramer v. Kramer" was rented 29 times through December, 1984. Similarly, plaintiff Paramount's "The Godfather" and plaintiff Warner Bros.' "Dirty Harry" were respectively rented 25 times and 19 times during this period. (See Devlin Decl., Exh. "A").

by La Mancha to its guests. (See Sorkin (¶ 5), Klingensmith (¶ 7), Krieger (¶ 6), Krug (¶ 6), Rosen (¶ 6), Smitas, Giacinto (¶ 6), Kramer (¶ 6) Decls.; Irwin Depo. 88/18-24). Accordingly, on October 7, 1982 shortly after learning of this unauthorized movie program, plaintiffs sent a letter to defendants requesting that they cease and desist their infringing activities. (Irwin Depo. 135/7-136/6; Exh. 8). Defendants ignored this letter, and have continued to the present date to furnish plaintiffs' copyrighted motion pictures to La Mancha's guests for viewing in their guest villas. (See e.g., Exhs. 9, 37 and Exh. "B" to Devlin Decl.).

ARGUMENT

I

SUMMARY JUDGMENT IS PROPER IN THIS CASE

The standard for summary judgment, the absence of any genuine issue of material fact, is well established. F.R.Civ.P. Rule 56. This standard is clearly met here.

To summarize, the material undisputed facts are as follows: (1) plaintiffs own the copyrights (or exclusive licenses) in the motion pictures at issue¹⁰; (2) La Mancha has nationally advertised the availability of video discs (including video discs of plaintiffs' motion pictures) for viewing in La Mancha's guest villas; (3) La Mancha, including its guest villas, is open to, and patronized by, the public; (4) defendants have furnished video discs of at least 65 of plaintiffs' motion pictures to La Mancha's guests for a fee

¹⁰ The copyright certificates presented concurrently herewith constitute *prima facie* evidence of the ownership and validity of these copyrights. 17 U.S.C. § 410(c); *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 911 (2d Cir. 1980); *Dollcraft Industries Ltd. v. Well-Made Toy Mfg. Co.*, 479 F.Supp. 1105, 1115 (E.D. N.Y. 1978). To the extent that someone other than a plaintiff owns some of these copyrights, plaintiffs have exclusive written licenses to exploit those copyrights, copies of which are attached to the declarations filed concurrently herewith.

knowing and expecting that such guests would view such motion pictures in their guest villas; (5) defendants' conduct has been without the consent of plaintiffs. As the following discussion will show, these undisputed facts require a decision that defendants have infringed plaintiffs' exclusive rights as copyright owners to perform their copyrighted motion pictures publicly and to authorize others to do so.

II

THE EXHIBITIONS OF PLAINTIFFS' MOTION PICTURES IN LA MANCHA'S GUEST VILLAS CONSTITUTE PUBLIC PERFORMANCES

Among the exclusive rights granted by the Copyright Act to motion picture copyright owners are the rights to publicly perform and to authorize the public performance of such motion pictures. These rights are set forth in § 106(4) as follows:

"Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

* * * *

"(4) in the case of . . . motion pictures and other audiovisual works, to perform the copyrighted work publicly."

17 U.S.C. § 106(4)

A copyrighted motion picture is "performed" within the meaning of the Act when its images are shown in any sequence or the sounds of the Act when its images are shown in any sequence or the sounds accompanying these images are made audible. 17 U.S.C. § 101. Under this definition, there can be no dispute that plaintiffs' motion pictures are "performed" when the images and sounds of those motion pictures are shown and made audible by means of the video disc players and television screens in

La Mancha's guest villas. Thus, the central issue in this case is whether these performances occur publicly in violation of plaintiffs' § 106(4) rights.

The Act defines "publicly" as follows:

"To perform . . . a work 'publicly' means—

(1) To perform . . . it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) To transmit or otherwise communicate a performance . . . of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance . . . receive it in the same place or in separate places and at the same time or at different times."

17 U.S.C. § 101 (emphasis added)

As the Third Circuit has recently stated, Clause (1) of this definition "is written in the disjunctive, and thus two categories of places can satisfy the definition of 'to perform a work publicly.' The first category is self-evident; it is a 'place open to the public.' The second category, commonly referred to as a semi-public place, is determined by the size and composition of the audience". *Columbia Pictures Industries, Inc. v. Redd Horne*, 749 F.2d 154, 158 (3d Cir. 1984) (hereinafter "*Redd Horne*"). Thus, it is clear that if a performance occurs in a place falling within the first category, i.e., a place open to the public, the performance is "public" irrespective of the size and composition of the audience. *Id.*¹¹ La Mancha is such a place.

¹¹ This interpretation of Clause (1) is fully supported by the legislative history. For example, the Register of Copyrights, whose office drafted the language of Clause (1), stated in his Supplementary Report to the House of Representatives: "Under the first part of Clause (A) a per-

As indicated in the Statement of Facts, *supra*, defendants advertise their hotel nationwide, inviting the public to patronize La Mancha as a "destination resort." Although defendants attempt to characterize La Mancha as a "private club", these advertisements contain no restrictions whatever on the ability of members of the public to stay in La Mancha's guest villas. Nor are any such restrictions imposed by defendants. Rather, to stay at La Mancha, one need only call the hotel and reserve a room or make a reservation through a travel agent. No proof of membership in the "club" is required either to make such a reservation or to check-in to the hotel. Indeed, the only identification requested upon registering at La Mancha's front desk are a credit card and driver's license.¹² In view of these undisputed facts, there is no doubt whatever that La Mancha, including its guest villas, is "a place open to the public."

Despite the obviously public nature of La Mancha's hotel facilities, defendants argue that when they rent their villas to paying guests, the villas become "private" rather than "public" places, reasoning that so long as the villas are being rented by individual guests, no other member of the public is permitted to enter or use those villas. According to defendants, because each of its villas is thus "closed" to other potential patrons while it is being occupied by

formance or exhibition would be 'public' if the place where it occurred is 'open to the public', regardless of the number of persons present at the particular time." *House Revision Part 6 Supplementary Report of the Register of Copyrights on The General Revision of the U.S. Copyright Law: 1965 Revision Bill* (Comm. Reprint) at 24.

¹² According to Irwin, members of the general public (i.e. "non-members" of La Mancha) are limited to three stays at La Mancha after which they must become members to enjoy additional stays. (Irwin Depo. 50/8-51/25; Exhs. 9-11) Although it is not clear that this alleged limitation is strictly enforced, it is undisputed that *any* member of the public who has not exceeded this three-visit restriction may stay at La Mancha. (Irwin Depo. 36/5-9, 47/23-51/25; Beatie, Porter and Smith Decs.).

another paying guest, any performances of plaintiffs' motion pictures in that guest's villa necessarily occur in a "private" place.

This argument misperceives the meaning of the word "place" as used in the statutory definition of "to perform publicly." Indeed, virtually an identical argument was made and rejected in both *Redd Horne, supra*, and *Columbia Pictures Industries, Inc. v. Aveco, Inc.*, 612 F.Supp. 315 (M.D. Pa. 1985) (hereinafter "*Aveco*"). In *Redd Horne*, defendants operated two stores called "Maxwell's" in which they sold and rented video cassette recorders and prerecorded video cassettes. Each store contained several small viewing rooms (which could hold up to 4 people) in which defendants' customers could view motion pictures contained on defendants' inventory of prerecorded video cassettes. Each room contained a television screen wired to a video cassette recorder operated by defendants. To view these motion pictures, patrons selected a film title from defendants' inventory and for a fee ranging from \$5 to \$8 were permitted to view the film in one of the viewing rooms. One of defendants' employees would then place a prerecorded cassette of the selected film in one of Maxwell's video cassette recorders and transmit it to the television screen in the viewing room occupied by the paying patron. Each store was open to any member of the public who wished to utilize its facilities or services, although no patron was permitted to enter a viewing room while it was being occupied by another unrelated patron.

The owners of these films sued the defendants in *Redd Horne* for violating their exclusive § 106(4) rights to perform their copyrighted works publicly. Defendants argued that the performances were not "public" because they occurred in private viewing rooms to which no one other than the patrons occupying the rooms at the time of the performances could gain entrance. The Court rejected this argument reasoning:

"The relevant 'place' within the meaning of section 101 is each of Maxwell's two stores, not each individual booth within each store. Simply because the cassettes can be viewed in private does not mitigate the essential fact that Maxwell's is unquestionably open to the public"

749 F.2d at 159

In *Aveco*, *supra*, defendants operated stores called "Nickelodeon" which contained viewing rooms similar to those in *Redd Horne*, with three major differences. These differences were summarized by the Court as follows:

"(1) Maxwell's rented the viewing rooms only in connection with rental of the video cassettes and therefore, in effect, operated as a type of movie theater whereas the Nickelodeon [and La Mancha] rents the viewing rooms and rents cassettes independently. Rental of the rooms and rental of the cassettes is not necessarily related. (2) Maxwell's employees played the cassettes for Maxwell's customers; Nickelodeon [and La Mancha] customers must play the cassettes they rent themselves. (3) 'At all times, Maxwell's maintained physical dominion and control over the tapes.' *Redd Horne* at 160, but the Nickelodeon [and La Mancha] yields control of the tapes to the customer and therefore engages in a genuine 'in-store rental.'"

612 F.Supp. at 318-19.

Based on these differences, defendants argued (as do defendants in the instant case) that the performances in their store, unlike the performances in *Redd Horne*, were "private", not "public". The Court rejected this argument. In so doing, the Court stated:

"[I]n our view, those factual differences do not dictate a legal result different from the result

reached in *Redd Horne*. *Redd Horne* clearly held that for purposes of the Copyright Act, Maxwell's viewing rooms and entire store were places 'open to the public' and that performance of the cassettes at Maxwell's therefore constituted 'public performances.' The Court of Appeals reached this conclusion despite the fact that when a family or other small group viewed a movie at Maxwell's, the room in which they viewed the movie was closed to other members of the public. *Redd Horne*, 749 F.2d at 159. In this respect, we see no difference between the Nickelodeon and Maxwell's. The factual distinctions pointed to by the Defendants are therefore immaterial.

"The Nickelodeon is open to the public just as Maxwell's was open to the public. The cassettes are performed at the Nickelodeon by Nickelodeon customers and the cassettes are therefore publicly performed."

612 F. Supp. at 319

This reasoning is equally applicable to the performances at La Mancha. Just as the defendants' stores, rather than their individual viewing rooms, were the relevant "places" for purposes of assessing the "public" nature of the performances in *Redd Horne* and *Aveco*, defendants' entire resort hotel, *not* its individual villas, is the relevant "place" for purposes of assessing the "public" nature of the performances which are occurring at La Mancha. And, just as the stores, including the individual viewing rooms contained therein, in *Redd Horne* and *Aveco* were open to any member of the public willing to pay a fee for the use of such rooms, La Mancha, including its individual hotel villas, is open (for up to at least three visits) to any member of the public willing to pay La Mancha's guest rates. Thus, just as the performances in *Redd Horne* and *Aveco* occurred in "places open to the public," the performances

in La Mancha's guest villas also occur in such a public place and, hence, necessarily constitute "public" performances. And, as the courts in *Redd Horne* and *Aveco* specifically held, this is so regardless of the fact that each of La Mancha's villas is only open to one set of paying guests at a time.

III

DEFENDANTS ARE LIABLE UNDER THE COPYRIGHT ACT FOR THE PUBLIC PERFORMANCES AT LA MANCHA

It is expected that defendants may argue that despite the undeniably public nature of La Mancha, they are not liable for the performances at issue because La Mancha's guests, rather than defendants or their employees, play the video discs rented out by defendants. Such an argument, however, would be totally devoid of merit.

As noted above, and as defendants' Answer expressly recognizes (Answer ¶ 14), § 106 of the Act not only gives motion picture copyright owners the right to publicly perform their works but also the right "to authorize" performance of those works publicly. Both legislative history and relevant case law make clear that the right "to authorize" public performances encompasses the type of activities engaged in by defendants at La Mancha. Indeed, the House Report which accompanied the 1976 Copyright Revision Act specifically addressed this very issue, stating: "[A] person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. at 61 (1976) *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5674 (hereinafter "House Report").

The issue was also specifically addressed in *Aveco*, *supra*, in which defendants argued that they were not in-

fringers because defendants' customers, rather than defendants themselves, were the ones who were playing, and hence performing, plaintiff's movies. The Court rejected this argument, reasoning that: "By enabling its customers to perform the cassettes, the defendants infringe the plaintiffs' exclusive right under § 106 of the Copyright Act to authorize public performance of the movies and therefore infringe the plaintiffs' copyrights." (emphasis added) 612 F.Supp. at 319.

In sum, by renting video discs to La Mancha's guests for the purpose of publicly performing the motion pictures contained on those discs on equipment provided by defendants for this purpose, defendants have unquestionably infringed plaintiffs' rights "to authorize" such public performances.¹³ Defendants are liable for this infringement regardless of the fact that their customers, rather than defendants themselves, are the ones who physically play the discs on the equipment supplied by defendants.

IV

DEFENDANTS CANNOT BE PERMITTED TO CIRCUMVENT PLAINTIFFS' RIGHTS BY A NOVEL USE OF NEW TECHNOLOGY

As noted above, Clause (2) of the definition of "to perform publicly" includes any transmission of a copyrighted work "to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance . . . receive it in the same place or in separate places and at

¹³ The result would be the same under a traditional contributory infringement analysis. See e.g., *Kalem Co. v. Harper Bros.*, 222 U.S. 55, 62-63, 32 S.Ct. 20, 22 (1911) (*Held*: person who advertises and sells [or rents] a motion picture for the express purpose of permitting and encouraging it to be publicly performed without the copyright owner's consent is liable for such unauthorized performances "on principles recognized in every part of the law").

the same time or different times." According to the House Report, this definition specifically applies even when "the potential recipients of the transmission represent a limited segment of the public, *such as occupants of hotel rooms*". House Report at 65 (emphasis added).

It is thus clear that if defendants transmitted performances of plaintiffs' works by means of centrally controlled video disc players wired by closed circuit to the television screens in La Mancha's guest villas, such transmissions would constitute public performances under Clause (2). See *Redd Horne, supra*, 749 F.2d at 154. To avoid this obvious result, defendants have instead accomplished performances of plaintiffs' works by placing the video disc players in La Mancha's villas and providing its guests with the discs necessary to complete the performances. Although this conduct involves a novel application of new technology, it does not absolve defendants of liability for the infringing public performances made possible by their conduct. See *Redd Horne, supra*, 759 F.2d at 157 ("A defendant, however, is not immune from liability for copyright infringement simply because the technologies are of recent origin or are being applied to innovate uses.").

As noted above (Statement of Facts, § A.1., *supra*), plaintiffs' exclusive rights to license public performances of their copyrighted motion pictures in resort and hotel rooms are extremely valuable to them. Indeed, plaintiffs have diligently built a market for such licenses, a market which defendants have cavalierly invaded without any regard for plaintiffs' rights as copyright owners. Defendants simply cannot circumvent these rights and evade liability for their infringing conduct merely by modifying a technological method of delivering public performances which Congress so clearly intended to proscribe.

V

PLAINTIFFS ARE ENTITLED TO SUMMARY JUDGMENT ON DEFENDANTS' AFFIRMATIVE DEFENSES

Defendants have asserted two affirmative defenses, the "first sale doctrine" (Second Affirmative Defense) and laches and estoppel (First Affirmative Defense). Neither defense has merit, and each may be disposed of as a matter of law.

A. The First Sale Doctrine Does Not Insulate Defendants From Liability

Defendants' Second Affirmative Defense contends that defendants' activities are protected by the first sale doctrine, which is codified in § 109(a) of the Act as follows:

"(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."

17 U.S.C. § 109(a)

Defendants argue that since they have purchased their video discs lawfully from RCA, their rental of those discs to La Mancha's guests is protected by their right under § 109(a) "to sell or otherwise dispose of [i.e. rent] the possession of that copy." This argument, however, misperceives the limited scope of § 109.

The right under § 109 to rent a lawfully acquired copy of a copyrighted work does *not* vest in the purchaser any of the other exclusive rights (such as the rights to publicly perform or to authorize public performance) conferred on the copyright owner by § 106. This is made clear by § 202 which states:

"Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including a copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; . . ."

Moreover, defendants' argument, that despite the clear language of Section 202, Section 109(a) nonetheless permits them to rent discs of plaintiffs' works for public performances, is directly contrary to both the legislative history of Section 109 and the judicial decisions interpreting the section. See House Report at 79 ("Under Section 202, however, the owner of the physical copy or phonorecord cannot reproduce or perform the copyrighted work publicly without the copyright owner's consent"); *Redd Horne, supra*, 749 F.2d at 158 ("Plaintiffs' sale of video cassette copies of their copyrighted motion pictures did not result in a waiver of any of the other exclusive rights enumerated in Section 106, such as the exclusive right to perform their motion pictures publicly"); *Aveco, supra*, 612 F.Supp. at 319 ("It [the first sale doctrine] does not, however, give . . . [defendants] . . . any of the other rights granted exclusively to the plaintiffs under § 106 including the right to authorize public performances of the movies."); *Interstate Hotel Co. of Nebraska v. Remick Music Corp.*, 157 F.2d 744 (8th Cir. 1946).

What defendants fail to understand is that they have not merely rented their video disc copies of plaintiffs' motion pictures. Rather, by extensively advertising their video disc movie program, placing video disc players in La Mancha's guest villas and renting their discs to occupants of those villas for viewing on the disc players contained therein, they have also knowingly and intentionally authorized and contributed to infringing public performances

of those motion pictures in these public villas. As both Congress and the courts have specifically stated, rentals for such a purpose are expressly prohibited by the Copyright Act. See House Report at 61 (quoted in § III A., *supra*); *Aveco, supra*. Accordingly, defendants cannot take any comfort from the first sale doctrine.

B. The Undisputed Facts Establish That Defendants' Laches And Estoppel Defense Are Not Well Taken

Defendants First Affirmative Defense contends that plaintiffs are barred from any relief by the doctrines of laches and estoppel. As discussed below, the undisputed facts establish that these contentions are not well taken.

1. Alleged Laches

To establish laches a defendant must prove three elements: (1) inexcusable delay; (2) defendant's reliance on that delay; (3) prejudice to defendant resulting from such reliance. *Loews, Inc. v. Columbia Broadcasting System, Inc.*, 131 F.Supp. 165, 186 (S.D. Cal. 1955), *aff'd* 239 F.2d 532 (9th Cir. 1956). Despite defendants' contentions to the contrary, the undisputed facts set forth below demonstrate that none of these elements exist.

Defendants first installed video disc players in La Mancha's guest villas between October and December, 1981. (Irwin Depo. 63/4-21). On October 7, 1982 plaintiffs sent defendants a letter demanding that they cease their infringing activities. (Exh. 8) Thus, less than a year after commencement of La Mancha's video disc movie program, defendants received notice that plaintiffs believed this program infringed their rights. After attempts to settle the dispute proved unsuccessful, this litigation was commenced in April, 1983, well within the applicable three-year statute of limitations period. 17 U.S.C. § 507. Since plaintiffs acted so promptly to put defendants on notice and to enforce their rights, defendants' claim of unreasonably delay sim-

ply has no basis in fact, and the laches defense thus should be summarily rejected.

2. Alleged Estoppel

Estoppel requires proof of four elements: "(1) The party to be estopped must know the facts; (2) he must intend that his conduct shall be acted on or must so act that the party asserting the estoppel has a right to believe it is so intended; (3) the latter must be ignorant of the true facts; and (4) he must rely on the former's conduct to his injury." *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104 (9th Cir. 1960). None of these elements is present here.

Plaintiffs had no contacts or communications with defendants prior to sending their "cease and desist" letter to defendants on October 7, 1982. Accordingly, prior to October 7, 1982 there was no conduct by plaintiffs in this matter on which defendants relied.¹⁴ And, although there were limited settlement communications between the parties after October 7, 1982, plaintiffs never wavered from their position that defendants' activities constituted an infringement of plaintiffs' rights. Thus, plaintiffs also did nothing after October 7, 1982 on which defendants could have justifiably relied to their detriment. Under these undisputed facts, the estoppel defense should be summarily rejected.

VI

PLAINTIFFS ARE ENTITLED TO A PERMANENT INJUNCTION AND STATUTORY DAMAGES

It is settled that "as a general rule a copyright plaintiff is entitled to a permanent injunction when liability has

¹⁴ As noted above, the less than one year delay between commencement of defendants' infringing activities and the sending of plaintiffs' October 7, 1982 demand letter is also an insufficient basis to permit any claim of "reasonable reliance" by defendants.

been established and there is a threat of continuing violations." *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 976 (9th Cir. 1981), rev'd on oth. grds. 104 S.Ct. 774 (1984). Indeed, in the absence of highly unusual circumstances, denial of such an injunction would be an abuse of discretion. *Id.* Since no such extreme circumstances exist here, plaintiffs are entitled to a permanent injunction.

Plaintiffs are also entitled as a matter of right to an award of statutory damages. Section 504(c) of the Act provides that a copyright plaintiff may elect at any time before final judgment to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action. 17 U.S.C. § 504(c). These statutory damages must be in a sum not less than \$250 and not greater than \$10,000 for *each* copyright infringed. *Id.*; House Report at 162 ("Where the suit involves infringement of more than one separate and independent work, minimum statutory damages for each work must be awarded.")¹⁵

Plaintiffs have previously elected to recover statutory damages. Hence, they are entitled to a separate statutory damage award for each of the 65 copyrighted works which defendants have infringed.

VII

CONCLUSION

For all of the foregoing reasons, plaintiffs' motion for summary judgment should be granted, and a judgment

¹⁵ Although the Court may reduce the minimum award for each infringement from \$250 to \$100 when the defendant has "no reason to believe" that his conduct is not infringing (17 U.S.C. § 504(c)(2)), defendants can make no such claim here because they continued their activities for three years after being notified by plaintiffs that these activities infringed plaintiffs' rights.

granting a permanent injunction and awarding statutory damages should be entered.

DATED: September 30, 1985.

Respectfully submitted,

ROSENFELD, MEYER & SUSMAN
STEPHEN A. KROFT
MAREN CHRISTENSEN

By: /s/ Stephen A. Kroft
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[Verification and Proof of Service omitted in this printing]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

—
No. 83-2594 WPG
—

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

AND RELATED COUNTERCLAIM

—
DEFENDANTS' STATEMENT OF GENUINE ISSUES OF
MATERIAL FACT IN OPPOSITION TO PLAINTIFFS'
MOTION FOR SUMMARY JUDGMENT

Hearing Date: Dec. 9, 1985

Hearing Time: 10:00 a.m.

Hearing Place: Courtroom 23
—

Pursuant to Local Rule 7.14.2, of the United States District Court for the Central District of California, defendants and counterclaimants Professional Real Estate Investors, Inc., and Kenneth F. Irwin (collectively referred to as "Irwin"), set forth the following statement of material facts as to which there exist a genuine issue. In view of the existence of the genuine issues of material fact identified in this memorandum, the Motion for Summary Judgment and Permanent Injunction filed by plaintiffs and counterdefendants Columbia Pictures Industries, Inc., *et al.* ("plaintiffs"), in this action must be denied.

STATEMENT OF GENUINE ISSUES

The following issues and the reasons why they preclude plaintiffs' Motion for Summary Judgment are more fully discussed in argument IV of Irwin's Memorandum in Opposition to Plaintiffs' Motion for Summary Judgment and in Support of Defendants Cross-Motion.

Plaintiffs Have Not Established Registration and Ownership of the Copyrighted Works:

1. Irwin contests plaintiffs' allegation that they own the copyrights or the exclusive right to license public performances of each for the 65 copyrighted works an issue in this litigation. (Plaintiffs' Proposed Statement of Uncontroverted Facts ¶ 1.) In spite of repeated requests by Irwin, plaintiffs have not timely produced certificates of registration and/or recorded assignment documents supporting their claims of ownership of the exclusive right to authorize public performances of 27 of the copyrighted works Irwin contests plaintiffs' standing to maintain this action for those works. (A list of the motion pictures for which plaintiffs have not produced certificates of registration and/or recorded assignment documents supporting their claim of ownership of the exclusive right to authorize public performances of the copyrighted works is provided in Appendices A and B, attached hereto).

Plaintiffs Have Not Been Injured:

2. Plaintiffs allege further that they derive revenues from hotel and motel exhibition of motion pictures by licensing (1) in-room, closed circuit performances, (2) delivery of over-the-air broadcast signals to cable systems, and (3) retransmission through paid cable television networks. Despite repeated requests for production of plaintiffs' licenses, and information concerning damages and injury, plaintiffs have failed to provide any of this information. Accordingly, Irwin contests plaintiffs' allegation relating

to those licenses. (Plaintiffs' Proposed Statement of Uncontroverted Facts ¶ 2 and 3.)

3. Irwin contests plaintiffs' assertion that "after instituting their video discs movie program in Fall, 1981, defendants discontinued the cable television service and thus ceased paying for performances of plaintiffs' motion pictures in La Mancha villas." (Plaintiffs' Proposed Statement of Uncontroverted Facts ¶ 5.) Irwin terminated its subscription to movie channel service because the system was not being used by guests at La Mancha either before or after the videodisc program was instituted. *Deposition of Kenneth F. Irwin*, Vol. 1, 63/22-64/11 (hereinafter "Irwin Dep." *Declaration of Kenneth F. Irwin* ¶ 10 (hereinafter "Irwin Decl.")).

Willfull Infringement is a Contested Issue:

4. The copyright law provides a wide range of statutory damages depending on whether or not the infringement was willful. Even in the event that infringement is found, however, the issue whether that infringement was willful cannot be resolved on the present record. This case presents a novel question under the copyright law that had not yet been resolved by the courts. Irwin has no reason to believe that its actions are infringing. Irwin, therefore, contests plaintiffs' allegations relating to statutory damages for willful infringement. (Plaintiffs' Proposed Statement of Uncontested Facts ¶¶ 17 and 21.) Exhibits 7, 8, and 9.

5. Irwin contests plaintiffs' allegation that plaintiffs sent a cease and desist letter to Irwin and Irwin ignored that letter. (Plaintiffs' Proposed Statement of Uncontested Facts ¶ 16.) Irwin responded to that letter promptly and contacted each of the plaintiffs directly to attempt to negotiate a settlement to this litigation. Exhibits 7, 8, and 9.

6. Irwin contests plaintiffs' characterization that "there were some limited communications between the parties in

which the possibility of settlement or resolution was discussed." (Plaintiffs' Proposed Statement of Uncontested Facts ¶ 17.) Irwin vigorously pursued negotiations with each of the plaintiffs. Exhibits 8 and 9.

La Mancha is a Private Club, Not a Hotel:

7. Irwin contests plaintiffs' characterization that La Mancha Private Club and Villas is a hotel. (Plaintiffs' Proposed Statement of Uncontested Facts ¶ 4.) La Mancha Private Club and Villas is not a hotel, motel, or inn but, rather, is a private membership club. *Irwin Decl.* ¶¶ 4 and 7; Exhibits 1, 3, 4, and 5.

8. Irwin contests plaintiffs' allegation that La Mancha is "open to the public." (Plaintiffs' Proposed Statement of Uncontested Facts ¶ 8.) The grounds of La Mancha are surrounded by locked gates that close automatically. The grounds and facilities at La Mancha are not open to members of the general public but are available only to members and guests. *Irwin Decl.* ¶ 6.

9. Irwin contests plaintiffs' characterization that they have extensively advertised La Mancha. (Plaintiffs' Proposed Statement of Uncontested Facts ¶ 9. Irwin's advertising is limited. *Irwin Decl.* ¶ 3. Further, much of the publicity that La Mancha has received has been the result of referrals or independent articles written about the La Mancha facility. Exhibit 12.

10. Irwin contests plaintiffs' contention that the availability of movies for exhibition in La Mancha's guest villas is "one of the guest services most heavily emphasized" in Irwin's advertisements and brochures. (Plaintiffs' Brief at 9; Plaintiffs Proposed Statement of Uncontested Facts ¶ 10.) Plaintiffs' characterization of Irwin's advertising is incorrect and is misleading. *Irwin Decl.* ¶ 13; Exhibits 6 and 11.

Plaintiffs' "Investigations" Present Genuine Issues of Material Fact:

11. Further, Irwin contests some of the allegations contained in the declarations of plaintiffs' investigators. Irwin has repeatedly requested discovery into the activities of these investigators, yet plaintiffs, until the filing of their motion for summary judgment, failed to produce any information regarding their activities. (Plaintiffs' Proposed Statement of Uncontested Facts ¶ 15.) Exhibit 3.

Irwin's Misuse Defense Raises Genuine Issues of Material Fact:

12. Plaintiffs' copyrights are unenforceable because plaintiffs have misused them. Specifically, plaintiffs have sought to limit the scope of private performances to home use only. Home use, however, is only one type of private performance. Plaintiffs misuse renders their copyrights unenforceable until that misuse is purged. Although Irwin has requested discovery on this misuse, plaintiffs have denied those requests. Irwin's misuse defense raises genuine issues of material fact.

13. Summary judgment must be denied because there is a genuine issue of material fact whether plaintiffs have violated the antitrust laws. Plaintiffs' violations of the antitrust laws render their copyrights unenforceable. Multiple genuine issues of material fact remain to be decided: The relevant geographic market, the relevant product market, the extent of market power exerted by plaintiffs, plaintiffs' intent to control the rental market for video discs used for nonpublic performances outside of the home, and the likelihood of success that plaintiffs will acquire or exercise monopoly power in the relevant market. Plaintiffs, however, have denied Irwin al discovery their antitrust misuse defense.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

—
No. CV 83-2594 WPG
—

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

v.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIM

—
FILED

OCT 21 1985

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
BY DEPUTY
—

NOTICE OF DEFENDANTS' CROSS MOTION AND
CROSS MOTION FOR SUMMARY JUDGMENT; AND
MEMORANDUM IN OPPOSITION TO PLAINTIFFS'
MOTION FOR SUMMARY JUDGMENT AND IN SUPPORT
OF DEFENDANTS' CROSS MOTION

Hearing Date: Dec. 9, 1985

Hearing Time: 10:00 a.m.

Hearing Place: Courtroom No. 23

[Table of Contents omitted in this printing]

NOTICE OF CROSS MOTION AND CROSS MOTION FOR
SUMMARY JUDGMENT

PLEASE TAKE NOTICE that on December 9, 1985 at 10:00 a.m., or as soon thereafter as counsel may be heard, defendants and counterclaimants, Professional Real Estate Investors, Inc., and Mr. Kenneth F. Irwin, will move and do hereby move the Court for an Order pursuant to Rule 56 of the Fed. R. Civ. P. for summary judgment dismissing with prejudice plaintiffs' action, and for an award of defendants' costs.

This motion is based on the grounds that plaintiffs cannot prevail on their copyright infringement claims under the facts they allege in their motion for summary judgment. Plaintiffs' essential contention is that guests at defendants' resort club are publicly performing video movies when these guests view the videos in the privacy of the villas they rent from defendants. This claim is contrary to the law.

This motion is supported by the Declarations, Exhibits, Memorandum in Support, and Statement of Uncontroverted Facts filed with the motion. A proposed Summary Judgment Order is also included.

Dated: October 18, 1985

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
PATRICK J. COYNE
MICHAEL J. DENNIS LAW CORPORATION
MICHAEL J. DENNIS
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By: Jeffrey W. King
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Counter-claimants Professional Real
Estate Investors, Inc., and Kenneth
F. Irwin

**MEMORANDUM IN OPPOSITION TO PLAINTIFFS'
MOTION FOR SUMMARY JUDGMENT AND IN SUPPORT
OF DEFENDANTS' CROSS MOTION**

INTRODUCTION

Plaintiffs filed this action alleging copyright infringement by Professional Real Estate Investors, Inc., and Kenneth F. Irwin (collectively "Irwin").¹ Plaintiffs essentially contend that Irwin operates a resort facility, La Mancha Private Club and Villas, and violates plaintiffs' copyrights in certain motion pictures by renting videodiscs of the motion pictures to the guests at Irwin's facilities. Inasmuch as Irwin is acknowledged to have the right to rent videodiscs, plaintiffs contend that the playing of the videodiscs by the guests at La Mancha in the villas they rent constitutes "public performance." The issue raised by the complaint, therefore, is whether guests at Irwin's La Mancha facilities are "publicly performing" the videodiscs when they view the videos in the privacy of the villas they have rented from Irwin.

Plaintiffs have moved for summary judgment on their infringement claim and for an award of damages.² Irwin opposes that motion on several grounds and cross moves for summary judgment. To avoid repetition, Irwin files this memorandum both in support of its motion for summary judgment and in opposition to plaintiffs' motion.

Plaintiffs' claim of infringement must fail as a matter of law. Plaintiffs do not, and cannot, claim that the rental of the videodiscs constitutes infringement. Rental of videodiscs is entirely lawful. Irwin purchased authorized copies of the videodiscs, for which plaintiffs were paid

¹ The complaint also names Erland Kyllonen. Irwin understands that Mr. Kyllonen has not been served with the complaint.

² Plaintiffs also seek summary judgment on two of Irwin's affirmative defenses. These claims are discussed in Argument V, *infra*.

royalties, and has obtained the right to rent the videodiscs at issue. Plaintiffs also do not claim that Irwin performed the videodiscs in any common area of the La Mancha facility. Plaintiffs only claim, therefore, is that Irwin authorized its members and guests to "publicly perform" the videodiscs. Viewing of the videos, however, takes place only in the seclusion of the villas rented by guests or members at Irwin's La Mancha facilities. By every accepted definition, these performances are private.

As a result, plaintiffs cannot prevail on their copyright claim as a matter of law. Plaintiffs' motion should be denied and Irwin's cross motion for summary judgment granted. Moreover, plaintiffs' motion is fatally defective because there remain a number of genuine issues of material fact, such as whether Irwin's facility is a private club, whether plaintiffs have sustained any injury, and whether Irwin acted in good faith in renting the videodiscs. In addition, Irwin's affirmative defenses of misuse and antitrust violations raise a number of factual issues that remain to be decided. These defenses are a total bar to any recovery by plaintiffs and therefore preclude summary judgment for plaintiffs.

These factual issues, however, do not prevent summary judgment for Irwin. Irwin's motion raises a single issue—public performance. Even assuming plaintiffs' misstated facts, there has been no copyright infringement as a matter of law.

BACKGROUND

Irwin owns and operates a private luxury club, La Mancha Private Club and Villas, in Palm Springs, California. La Mancha is not a hotel, motel, or inn but, rather, a private membership club that makes available to its members and guests apartment and condominium accommodations for short-term rental. La Mancha is licensed by the City of Palm Springs for occupancy as an apartment

and condominium complex. See Exhibit 1. Until membership is full, non-members from the general public are allowed to stay at La Mancha within certain limits.

La Mancha was conceived by Irwin in 1973 as a private vacation home community for people who want the advantages of a second home in a resort community without the disadvantages of ownership, such as maintenance and repair. *Deposition of Kenneth F. Irwin*, Vol. I, 33/3-34/8 (hereinafter "*Irwin Dep.*"). Accommodations at La Mancha were specifically designed to meet the needs of condominium owners. The facility was, therefore, structured along the lines of a group of condominium apartments.³

A wide variety of luxury amenities and personal services are available to members and guests at La Mancha. Recreational facilities are also available. Fifty private apartment and condominium villas are available in one-, two-, or three-bedroom floor plans. Each villa has its own fully equipped kitchen, living room, and one or more bedrooms. Most villas have their own private pool and a secluded patio. Several also have private tennis courts. In addition, there are tennis courts and a health club on the premises. Villa accommodations at La Mancha rent from \$125 per night to \$720 per night and a minimum stay of three nights is generally required during the winter season. *Irwin Dep.*, Vol. I, 58/7-22. Accommodations are available at La Mancha by the week, month, or season. Generally, villas are not rented by the day but, rather for multiple days. *Declaration of Kenneth F. Irwin* ¶ 8 (hereinafter cited as "*Irwin Decl.*"). La Mancha does not rent by the hour.

La Mancha is a private club and membership at La Mancha is by invitation only. All persons renting accommodations at La Mancha must be either members, guests

³ The articles of incorporation of Professional Real Estate Investors, Inc., reflect the broader purpose of the La Mancha facility. Exhibit 2.

of members, or guests of management. A member of the general public, however, can make a reservation at La Mancha without sponsorship from a member.⁴ A nonmember can also make a reservation through a travel agent. A nonmember, however, is limited to three visits to La Mancha unless he is invited and becomes a member. As a result, Irwin advertises the availability of La Mancha to the public, although such advertising is not extensive. In addition, the advertisements usually state that La Mancha is a private club with limits on nonmembers who stay there. Exhibit 4.

Visiting the club is one of the prerequisites to membership. Invitations to membership in La Mancha are offered only after the prospective member has made two or three visits to La Mancha and generally no more than three visits by nonmembers are allowed. See *Irwin Decl.* ¶ 5; Exhibit 5. Persons have been refused membership and accommodations have been refused to nonmembers after they have visited La Mancha for the maximum three times. *Irwin Dep.*, Vol. I, 51/7-10; *Irwin Decl.* ¶ 5.

The villas at La Mancha provide an intimate, secluded, private atmosphere. Most of the villas have private pools and sun decks surrounded by privacy walls. Each villa has its own private entrance. Many of the villas have private gates and the entire La Mancha complex is surrounded by locked gates that automatically close. *Irwin Dep.* at Vol. I, 19/18-25. Only members of guests are admitted to the grounds. *Irwin Decl.* ¶ 6. The villas afford their occupants a significant degree of privacy and that privacy is one of the principal attractions of La Mancha.

⁴ La Mancha, unlike a hotel or inn, is not a public accommodation and is not required under California law to accommodate non-members. *Irwin Decl.* ¶ 4. Non-members are allowed to rent accommodations at La Mancha only as guests. Non-members are issued guest cards. Exhibit 3, and are informed that their rights as guests of La Mancha Private Club Villas are limited. Exhibit 3.

In addition to the other features available to guests and members at La Mancha, each La Mancha villa is equipped with an RCA "SelectaVision" videodisc player.⁵ The videodisc players are "play-only" units and are not capable of recording discs or tapes. The videodisc players were lawfully acquired by Irwin from RCA Corporation. Irwin is an authorized RCA dealer. Other than a demonstration unit and units for sale, none of the videodisc player units have been at any time located in any of the common areas of the club. Videodiscs are not performed on the demonstration unit in the gift shop for the entertainment of members or guests. The only performance of a videodisc by Irwin is in the gift shop to demonstrate for members or guests the operation of the videodisc players at the request of the member or guest. During such demonstrations only a small portion of a disc is shown.

La Mancha also has an inventory of videodiscs which are available for either purchase or rental in the La Mancha gift shop. All the discs were lawfully acquired from RCA Corporation. Videodiscs are not delivered to villas; rather a member or guest must come to the gift shop to rent or purchase a videodisc. *Irwin Dep.*, Vol. 1, 23/20-24/1. Members or guests may also bring their own discs to La Mancha or may rent or borrow discs from other sources for use on the videodisc players in the villas.

In addition to the videodisc players, each villa is equipped with a large screen television set. The large screen sets, however, were installed before purchase and installation of the videodisc players were even considered. These television sets, as are the videodisc players, are merely one of the many luxury amenities provided to the guests and members of La Mancha.

The villas do not receive transmissions of motion pictures from any external source. Prior to 1983, only about

⁵ Videodisc players are also available for sale.

fifteen of the villas had a cable movie channel available. This service was discontinued over a year after the purchase of the videodisc players because there was little use of the service both before and after the videodisc players were installed. *Irwin Decl.* ¶ 10. In contrast to plaintiffs' assertions, the cable movie channel was not "replaced" by the videodisc players. *Irwin Dep.*, Vol. 1, 63/22-64/11; *Irwin Decl.* ¶ 10.

Plaintiffs have challenged, as copyright infringement, Irwin's rental of videodiscs to members and guests who stay at La Mancha. Plaintiffs have now moved for summary judgment on this infringement claim. Their motion must be denied because their position is contrary to the law and there remain genuine factual issues that preclude plaintiffs' motion. Irwin cross moves for summary judgment. Even adopting plaintiffs' misstated facts, there is no copyright infringement and plaintiffs' complaint should be dismissed.

ARGUMENTS

I.

RENTAL OF VIDEODISCS BY IRWIN IS LAWFUL

Any challenge to Irwin's right to rent videodiscs cannot withstand scrutiny. Under a doctrine known as the "first sale doctrine," any person who purchases or obtains a legitimate copy⁶ may, "without the authority of the copyright owner . . . sell or otherwise dispose of the possession of that copy . . ." 17 U.S.C. § 109(a); *accord*, *United States v. Moore*, 604 F.2d 1228, 1232 (9th Cir. 1979)

⁶ There is no doubt that the videodiscs sold or rented by Irwin are legitimate copies. Irwin lawfully acquired those discs from RCA and a royalty was paid to the plaintiffs for each copy. Plaintiffs admit that RCA was licensed to produce these videodiscs. Plaintiffs' Proposed Statement of Uncontroverted Facts ¶ 11; Memorandum in Support of Plaintiffs' Motion for Summary Judgment at 10 (hereinafter "Plaintiffs' Brief").

("[T]he copyright owner has no right under the copyright statute to restrict subsequent sales or transfers of that copy.") Congress expressly stated that "the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 79, *reprinted in* 1976 U.S.Code Cong. & Ad. News 5659, 5693.

The basis of the first sale doctrine is well founded. The main purpose of the copyright law is to promote continued creation of new works by securing to an author a fair return for the value of his work. H.R. Rep. No. 2222, 60th Cong. 2d Sess. 7 (1909); *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, (1984). To ensure that the owner of a copyright collects a fair royalty, the law allows him to set and collect a royalty when he first sells each copy of the work. Additional royalties on subsequent sales or rental of that copy would be a windfall to the copyright owner at the expense of other businessmen who have taken the risks to create a new market for the goods. For example, Irwin invested over \$35,000 to purchase the videodisc equipment and videodisks. *Irwin Decl.* ¶ 11. Irwin, not plaintiffs, runs the risk that the video rentals will not return sufficient income to cover these expenses—which is in fact what has happened so far. *Id.* Plaintiffs have already been paid a royalty on every videodisc Irwin purchased. Moreover, that royalty was set by plaintiffs with full knowledge that purchasers, such as Irwin, would rent the videodiscs. It is patently unfair to allow plaintiffs, who took none of the risk to develop the market at La Mancha, to receive additional royalties if Irwin is successful.

Absurd results would occur absent the first sale doctrine. To illustrate, Hertz would have to pay a royalty to the automobile manufacturers for every rental of a car because the car contains many patents and design creations owned by the manufacturers. Similarly, a department store would have to pay a royalty on every dress it sold

if a pattern was copyrighted. The importance of ignoring the first sale doctrine was succinctly explained during Senate hearings on proposed legislation recently sought by the movie studios to require royalties for video rentals:

Mr. Chairman, I think this effort is a back door attempt to achieve market control under the guise of copyright protection. I think, from my reading of the copyright literature, the first purpose of the copyright grant was the public interest, and the secondary purpose of the copyright grant was to give a reward for inventive and creative genius.

It occurred to me last evening, in the middle of the night, that the movie studios and performers should be paying a royalty to the creative genius at Sony and the other manufacturers who have created this expanded market for movies and artists. I have one quote that I'll show you what I mean by an expanded market. In this ITA transcript that I will refer to in my testimony, there is a *Star Trek*—Paramount makes a reference to "*Star Trek II*" seeing a year end goal of 150,000 cassettes as a reasonable target. That will mean, they say, \$4 million to them at wholesale just for that cassette release, and I don't see them offering Sony and the manufacturers who made that possible any part of that.

Statement of Robert McEwen, Audio and Video Rental Bill: Hearings on S.33 before Subcommittee on Patents, Copyrights and Trademarks of the Committee on the Judiciary United States Senate, 98th Cong., 1st Sess., 137. See also Pat. Trademark & Copyright J. (BNA) 175-76 (1983) (which reports on the testimony of Professor David Lange in which Professor Lange noted that the internal conceptual structure of the copyright law would be bent out of shape if the first sale doctrine were to be rescinded with respect

to recordings of audiovisual works—the result plaintiffs seek here). The creator, under our system, is allowed to set and collect a royalty when the item is first sold. Plaintiffs set and already collected their royalties when Irwin purchased the videodisks.

Plaintiffs argue that the first sale doctrine is not applicable to Irwin because he rents the videodisks to members and guests at La Mancha who, in turn, view them in their villas. Plaintiffs confuse the first sale doctrine with their public performance argument. The first sale doctrine does apply. Under that doctrine, Irwin is allowed to rent or otherwise dispose of the videodisks without plaintiffs' approval. Accordingly, plaintiffs are really arguing, under the guise of the first sale doctrine, their basic contention that the viewing of the videos by guests in the private villas they rent is public performance.

Attempts to limit the first sale doctrine have been rejected by the courts in the past. In *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), Judge Learned Hand held that the copyright owner's power to control rental of phonograph records which contained copyrighted songs ends with the sale of the record. As have plaintiffs in this case, plaintiff in *RCA* tried to limit use of the phonograph records to home use. RCA employed a notice on the records which stated that the records were "Only for Non-Commercial Use on Phonographs in Homes. Manufacturer and Original Purchase Have Agreed This Record Shall Not Be Resold Or Used For Any Other Purpose." *Id.* at 87.

The court in *RCA*, however, concluded that the restriction was without effect. Rather, once the phonograph record is sold, the copyright owner cannot restrict further distribution of that copy:

It would be very difficult to see how he, or *a fortiori* the maker of the records, could impose valid restrictions upon their resale. . . . [W]e think that the "common-law property" in these

performances ended with the sale of the records and that the restriction did not save it; and that if it did, the records themselves could not be clogged with a servitude. . . . Restrictions upon the uses of chattels once absolutely sold are at least *prima facie* invalid.

Id. at 88-89; *cf.*, *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908); *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F.Supp. 881 (E.D. Pa. 1964).

Finally, plaintiffs' argument that the new video technology should not allow Irwin to avoid paying royalties cannot withstand scrutiny. Not only is this argument irrelevant, it is also inaccurate. First, Irwin already paid plaintiffs royalties when it purchased the videodisks. Second, Congress was aware of the existence of videodisc and videotape technology when it enacted the current version of the copyright statute in 1976. In fact, the existence and promise of such technology was specifically noted by the Register of Copyrights in a 1961 Report to Congress suggesting changes in the copyright law which ultimately led to the new copyright law in 1976. In that report, the Register responded to the urgings of the motion picture producers "that the performance right in motion pictures should be extended to what is clearly private performance, including performances given in private homes." *Copyright Law Revision, Report of the Register of Copyright*, 29 (July 1961). Exhibit 14. In rejecting the movie studios' proposals, the Register noted that:

New technical devices will probably make it practical in the future to reproduce televised motion pictures in the home. We do not believe the private use of such a reproduction can or should be precluded by copyright.

Id. at 30. This technology was not only foreseeable, but existed when Congress passed the present copyright law

in 1976. Yet, Congress chose not to prohibit or limit in any way the rental of videos.

Furthermore, Congress revisited the issue in 1984. Plaintiffs and other interested parties attempted to secure legislation limiting the first sale doctrine with respect to rental of videodiscs and videotapes. See Senate Bill 33, Exhibit 15. Congress, in full recognition of plaintiffs' argument and the present law permitting rental of videos, declined to legislate any change. Plaintiffs seek to achieve in this court what they failed to obtain in Congress.

It is plaintiffs, in fact, who chose to take advantage of the videodisc technology—technology developed by others—as a medium to exploit their copyrighted works. This is not a case of technological advancement impairing plaintiffs' rights. Plaintiffs have availed themselves of the technology eagerly, in hopes of greater profits. Plaintiffs were fully aware of the video technology and the rental of videos when they chose to license RCA to produce videodiscs. Irwin claims no immunity from the copyright laws because of recent advances in technology as asserted by plaintiffs. Plaintiffs' Brief at 23-24. Rather, Irwin has merely purchased what plaintiffs sold, and plaintiffs have already received their lawful royalties on those sales.

II.

VIEWING VIDEODISCS IN THE PRIVATE VILLAS AT LA MANCHA IS NOT A PUBLIC PERFORMANCE

Plaintiffs essentially claim that the viewing of videodiscs by guests and members in the privacy of the villas they rent at La Mancha is a public performance. 17 U.S.C. § 106 (1982). This argument, that viewing videos in private villas is a public performance, however, is contrary to the law and is logically absurd. The villas are not "public" places under the copyright law or any other law.

Under the copyright law, to perform or display a work "publicly" means:

- (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public are capable of receiving the performance or display receive it in the same place or in separate places or at the same time or at different times.

17 U.S.C. § 101 (1982).

Plaintiffs do not claim that Irwin transmitted the videodiscs to its members or guests. Accordingly, if performances at La Mancha are found to be public it can be only under paragraph (1) of section 101. The two criteria set out in paragraph 1 are distinct, yet, they cannot be read in isolation from one another. *Columbia Pictures Industries, Inc. v. Redd Horne*, 568 F. Supp. 494, 499-500 (W.D. Pa. 1983), *aff'd on other grounds*, 749 F.2d 154 (3d Cir. 1984). Congress' primary concern was with the composition of the audience. *Id.* at 500. The legislative history of section 101 makes this point clear:

Under clause (1) of the definition of "publicly" in section 101, a performance . . . is "public" if it takes place "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." One of the principal purposes of the definition was to make clear that, contrary to the decision in *Metro-Goldwyn-Mayer Distributing Corp. v. Wyatt*, 21 C.O.Bull. 203 (D.Md. 1932), performances in "semi-public" places such as clubs, lodges, fac-

tories, summer camps, and schools are "public performances" subject to copyright control. The term "a family" in this context would include an individual living alone, so that a gathering confined to the individual's social acquaintances would normally be regarded as private. Routine meetings of businesses and governmental personnel would be excluded because they do not represent the gathering of a "substantial number of persons."

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5677-78.

The normal composition of the audience helps to determine whether a place is public. A performance in a private place could be considered a public performance if attended by a substantial portion of the public. Similarly, a performance that occurs in a place that is normally public but has been reserved by a limited group for a private purpose would not constitute a public performance. For example, a small group or a family and its social acquaintances could rent a bar, or a theater, or some other facility normally "open to the public" for a private gathering. A performance in those circumstances would not be a public performance. Similarly, business and government buildings are generally open to the public, but the legislative history expressly states that "[r]outine meetings of businesses and governmental personnel would be excluded because they do not represent the gathering of a 'substantial number of persons.'" *Id.* Hence, the composition of the audience must to some degree inform the judgment of whether or not a place is open to the public.

Applying this definition to La Mancha, the nonpublic nature of the villas becomes apparent. The villas are normally rented only to families. *Irwin Dep.*, Vol I, 43/26-44/13. During occupancy of the villas, no one from the public is allowed access to the villas. The villas are, in essence,

private vacation homes which are occupied only by a normal circle of a family and its social acquaintances.

To avoid the obvious privacy of La Mancha's villas, plaintiffs rely principally on two recent decisions in Pennsylvania construing "public performance" under the copyright law in a different factual setting. *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 568 F. Supp. 494 (W.D. Pa. 1983), *aff'd*, 749 F.2d 154 (3d Cir. 1984); *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 612 F. Supp. 315 (M.D. Pa. 1985). Their reliance is misplaced for even these decisions lend no support for the contention that La Mancha's villas are "public." The decisions in these cases are not necessarily correct, and the *Aveco* case is now being appealed. Nonetheless, even these decisions support the obvious; viewing videodiscs in the villas at La Mancha are private, not public, performances.

The *Redd Horne* case involved a "video showcase" in which patrons paid \$5.00 to \$7.00 dollars, selected a videotape from a sales counter in the front of the store and went to one of the small viewing rooms in the rear of the store. The performances in *Redd Horne* were under the direct control of management, not the individual customer. A store employee inserted the tape into the playback unit and transmitted the movie to the viewing room upon a signal from the patron.

The principal issue facing the court in *Redd Horne* was whether performances in such a setting were public or private. The District Court based its decision on the fact that defendants' operations "more closely resemble mini-movie theaters than living rooms away from home." *Id.* at 500. The court noted that there were movie posters displayed on the premises, popcorn and drinks were available prior to entering the viewing rooms, the motion pictures were performed by employees, and access to the rooms was limited to paying customers. Accordingly, the court held that "the showcasing operation is not distin-

guishable in any significant manner from the exhibition of films at a conventional movie theater." *Id.* The guiding principle in the court's analysis was the similarity of the operation to a movie theater. The court also concluded that Redd Horne transmitted the copyrighted works which, under the copyright law, is considered a public performance regardless where the transmission is received.

Redd Horne was affirmed by the Third Circuit which, like the district court, focuses on the similarity of the services offered by defendant to those of a movie theater.

The record clearly demonstrates that showcasing a video cassette at Maxwell's is a significantly different transaction than leasing a tape for home use. Maxwell's never disposed of the tapes in its showcasing operations, nor did the tapes ever leave the store. At all times, Maxwell's maintained physical dominion and control over the tapes. Its employees actually played the cassettes on its machines. The charges or fees received for viewing the cassettes at Maxwell's facilities are analytically indistinguishable from admission fees paid by patrons to gain admission to any public theater.

749 F.2d at 160.

In contrast, La Mancha's facilities do not resemble a movie theater. There are no movie posters, popcorn machines, or short-term room rentals to view a movie. Nor are La Mancha's \$125 to \$720 a day rental fees "analytically indistinguishable from admission fees paid by patrons to gain admission to any public theater." Rather, La Mancha provides precisely the "living rooms away from home" referred to by the District Court in *Redd Horne*.

Similarly, the District Court in *Columbia Pictures Industries, Inc. v. Aveco*, 612 F. Supp. 315 (M.D. Pa. 1985), focused on the similarities of the defendants' operation to

a movie theater. In *Aveco*, as in *Redd Horne*, defendants rented video cassettes for use in separate viewing rooms in the fear of the store. Rather than transmitting the signal to the room, however, each viewing room was equipped with a video cassette player which the customer operated. The viewing room could accommodate two to twenty-five people.

The court once again analyzed the activity on the basis of whether it more closely resembled a movie theater or home use. In rejecting defendants' argument that its operations were similar to home use, the court stated that:

The Nickelodeon [Aveco's store] clearly offers a service quite different from the service offered by a store that engaged in rental of video cassettes alone. . . . But for the Defendants' rental of the Nickelodeon viewing rooms, individuals who rent videocassettes would view them in a private place, i.e., the individual's home, rather than in a place open to the public such as Maxwell's or the Nickelodeon. It is this factor that distinguishes the Defendants' activities from simple rental of videocassettes to home users under the Copyright Act. As pointed out by the Plaintiffs, this difference is of considerable importance to the copyright holders: ". . . A person's home is not rented out in two hour shifts to afford separate groups of persons the opportunity to see a variety of motion pictures. Nickelodeon's rooms are." Plaintiffs' reply brief at 7.

Id. at 319-20 (emphasis added).

Plaintiffs themselves recognized that *Aveco* involved a theater-like operation. Plaintiffs who brought the present suit against Irwin also brought the *Aveco* suit. These plaintiffs, however, did not challenge the *Aveco* defendant's practice of renting a viewing room to allow the customer to play video cassettes the customer owned or rented else-

where. Rather, the plaintiffs challenge only the "renting of video cassettes coupled with renting viewing rooms which, in Plaintiffs' view, is legally indistinguishable from the operation of a traditional movie theatre." *Id.* at 316.

Applying these principals to La Mancha, it becomes clear that members and guests at La Mancha are not publicly performing the videodiscs in their villas. Irwin's activities are indistinguishable from simple rental of videodiscs to home users. First, La Mancha does not rent "viewing rooms." Rather, it rents luxury condominiums. The villas do not resemble "mini-movie theaters." Rather, with living rooms, dining rooms, kitchens, and separate bedrooms, the villas were designed to be and are homes away from home. Further, at \$125 to \$720 a day, with a minimum three day stay, the fees are certainly distinguishable from the theater-like admission fees charged in the *Redd Horne* and *Aveco* cases. Finally, as plaintiffs themselves noted in their briefs in the *Aveco* case, "A person's home is not rented out in two hour shifts to afford separate groups of persons the opportunity to see a variety of motion pictures." *Id.* at 320. Neither are the villas at La Mancha.

Moreover, private viewing is not restricted to home or home-like use. The courts in *Redd Horne* and *Aveco* use the dichotomy of theater-like use versus home-like use because these are the two extreme examples of public and private use. Performance at a movie theater is the essence of public performance. Similarly, home viewing is undoubtedly private. These extremes, however, do not define the limits of public and private viewing. Performing video movies at a bar open to the public is not like a theater but would be considered a public performance. There are also many uses that are not similar to home viewing that are still considered private. Congress, in enacting the copyright law, recognized that performances held in lounges, dining rooms, and other *public areas* of private clubs, and schools would be considered private if the movie is being viewed only by "a normal circle of a family and its social

acquaintances . . . " 17 U.S.C. § 109(c); H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5677-78. Congress also expressly noted that private performances could occur in government and business offices notwithstanding the fact that these buildings are not similar to homes. Rather, Congress recognized that if the people viewing the motion picture were similar to those that would view it in a home—"a normal circle of a family and its social acquaintances"—then the performance is private. *Id.* Thus, the issue remains whether the videodiscs were viewed in private or in public, not whether they were viewed in or out of the home.

Viewing videodiscs in the villas at La Mancha is very similar to the clearest example of private viewing—home use—and analogies need not be drawn to less obvious private uses. Plaintiffs attempt to circumvent the intent of Congress by arguing that the entire La Mancha facility is a "public place." Under plaintiffs' analysis, the existence of any common area open to the public converts an entire facility into a public place. Apartments and condominiums, the homes of millions of people, would become public places according to plaintiffs' argument simply because their lobbies re open to the public or because the buildings house restaurants or shops.⁷ Under plaintiffs' analysis a person who rents, rather than owns, his home cannot view movies without violating the copyright law because his apartment house may have a public lobby or his apartment was "open" to the public until he rented it. Apparently, only those lucky enough to own a home can enjoy private performances. Similarly, every business office and government building would be considered public and, therefore, any

⁷ As explained more fully in Argument III, *supra*, La Mancha does not have a lobby open to the public. Rather, La Mancha is closed to the public by gates so that members of the public cannot freely enter the facilities or go to the lobby. *Irwin Dep.*, Vol. I, 19/18-25; *Irwin Decl.* ¶ 6. Accordingly, even under plaintiffs' argument, La Mancha remains private.

performance at those facilities would be considered public under plaintiffs' reasoning. Yet, the legislative history specifically states that performances at "meetings of businesses and government personnel" are not public performances. H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5678.

Plaintiffs miss the key factor in the *Redd Horne* and *Aveco* decisions: The issue is not whether there was any common area open to the public, but whether the entire facility is like a movie theatre and therefore considered a "public place." In *Redd Horne* and *Aveco*, the courts found the facilities indistinguishable from a movie theatre and therefore public places. La Mancha, in contrast, is not a mini-movie theater. Rather, La Mancha is indistinguishable from a vacation home. A vacation home does not lose its private characteristic simply because the owner only occupies it for part of the year. The viewing of videodiscs in the villas at La Mancha is a private performance not substantially different from home viewing.

III.

THE VILLAS AT LA MANCHA ARE PRIVATE

The villas at La Mancha are not "open to the public" for purposes of the copyright laws. The issue whether rental villa accommodations are private or public under the copyright law is one of first impression. The privacy of rental accommodations, however, is well established in other contexts. The law generally recognizes that villas of the type rented at La Mancha are private and are not "open to the public." Further, the undisputed facts of this case conclusively establish the privacy of the villas.

La Mancha is not a hotel. See Argument IV. A., *infra*. Yet, even accepting for purpose of this motion plaintiffs' characterization of La Mancha as a hotel, the villas are not public. The concept of a public place is not unique to

the copyright law. Logic and reason compel the conclusion that the degree of privacy enjoyed in a place is determinative of the public or private character of that place. The concept of a private or public place arises frequently in Fourth Amendment cases:

United States v. Santana stated that whether a warrantless arrest was unlawful turned, first, on "whether when the police first sought to arrest [the defendant], she was in a public place." 427 U.S. at 42, 96 S.Ct. at 2409. Public place, in turn, was determined by whether the arrestee had a reasonable expectation of privacy. *Katz v. United States*, 389 U.S. 347, 88 S.Ct. 507, 19 L.Ed.2d 576 (1967), at the time and place of her arrest. *Santana*, then, stands for the proposition that when the person arrested has no reasonable expectation of privacy, probable cause suffices and no warrant is required. The clear implication is that a warrant or showing of exigent circumstances may be required when the suspect has a reasonable expectation of privacy.

United States v. Hall, 468 F. Supp. 123, 127 n.7 (E.D. Tex. 1979).

A hotel room is clearly subject to the Fourth Amendment protection described above. *Hoffa v. United States*, 385 U.S. 293, 301 (1966). While the scope of that protection varies under certain circumstances, *United States v. Agapito*, 620 F.2d 324, 331 (2d Cir.), cert. denied, 449 U.S. 834 (1980), the Supreme Court has expressly recognized that the Fourth Amendment protects the privacy of rental accommodations. *Hoffa*, 385 U.S. at 301.

It is also well established under the common law that a guest at an inn or a hotel has a right to privacy and to the peaceful enjoyment of his accommodations. *Frewen v. Page*, 238 Mass. 499, 131 N.E. 475 (Mass. 1921); *DeWolf v. Ford*, 193 N.Y. 397, 86 N.E. 527 (1908). In *People v.*

Vaughan, 65 Cal. App. 2d Supp. 844, 150 P.2d 964, 967-68 (1944), the California Appellate Court specifically noted that the rooms in a hotel are private. The guests' exclusive right to use the accommodation is limited only by the need of the innkeeper to discharge its duties or for access in a proper manner and at reasonable times. *E.G.*, *People v. Minervini*, 20 C.A. 3d 832, 98 Cal. Rptr. 107 (1971) (to prevent theft of property). In fact, an innkeeper is liable for damages if he or his employees unjustifiably enter the guests' rooms. *Frewen v. Page*, 131 N.E. at 475; *Wade v. Thayer*, 40 Cal. 578 (1871).

In view of the private nature of the La Mancha club, members and guests have a substantially greater expectation of privacy than would the guests of an inn or hotel. Persons wishing to enter La Mancha must have a pass or must be coming to La Mancha to rent a villa. The gates close automatically and members of the public are not free to enter the grounds. *Irwin Decl.* ¶ 6. Inasmuch as La Mancha is not a hotel, motel, or inn, guests or members of La Mancha are entitled to at least the same level of privacy afforded guests at a hotel.

The privacy of the club as a whole, however, is not controlling. Rather, the privacy of the club merely augments and reinforces the substantial privacy afforded members and guests in their villas. Even if the grounds of La Mancha were found to be "open to the public," viewing the videos in the villas is nonetheless private. At La Mancha, performances do not take place in "common" areas of the club, such as the restaurant or lobby, but only in the intimacy of the individual private villas.* The character of the villas controls the determi-

* In contrast to cases in which performances in "private clubs" were held to be public, performances at La Mancha are private. Cf. *Broadcast Music, Inc. v. Walters*, 181 USPQ 327 (N.D. Okla. 1973); *Lerner v. Schectman*, 223 F. Supp. 354 (D. Minn. 1964); *M. Witmark & Sons v. Tremont Social and Athletic Club*, 188 F. Supp. 787 (D. Mass. 1960); *Lerner v. Club Wander In, Inc.*, 174 F. Supp. 731 (D. Mass. 1959).

nation whether performances are public or private because viewing is entirely confined to the villas.

Accordingly, the villas are private: they are considered private under the Fourth Amendment; they are considered private under the state and common laws governing rentals of hotels and apartments; and they fall within the definition of private under the copyright law.

IV.

PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT MUST BE DENIED BECAUSE THERE EXIST GENUINE ISSUES OF MATERIAL FACT RAISED BY PLAINTIFFS' MOTION

Plaintiffs are not entitled to summary judgment because there remain several genuine issues of material fact. Equally significant, Irwin has raised affirmative defenses of copyright misuse. These issues cannot be judged on the current facts because discovery is not yet completed. These defenses, however, totally bar any recovery by plaintiffs. As a result, plaintiffs cannot obtain summary judgment until the evidence concerning these affirmative defenses has been presented.

A. Genuine Issues of Material Fact

Plaintiffs in their brief raise facts, which simply are not true. Each of the facts which are in dispute are identified below.

La Mancha Is Not a Hotel Open To The Public

Plaintiffs argue that La Mancha is a hotel open to the public. The facts are that La Mancha is not a hotel, but

Performances in these cases were held to be public because the audience was public, not because the clubs were "public" places. In each of these cases, performances were held in common areas of the club, such as the bar or restaurant. In contrast, videodiscs can be viewed at La Mancha only in the privacy of the members' or guests' villas.

rather is licensed as a private club and condominium apartments. Exhibits 1, 3, and 4. Moreover, La Mancha is not open to the general public. *Irwin Decl.* ¶ 6. Rather, members of the general public have limited access to La Mancha as prospective members of the club. This is no different from any other private club that allows prospective members access under limited conditions. Exhibit 5.

Moreover, this issue is highly material. Plaintiffs acknowledge that if La Mancha is a private club it is considered a "semi-public place" and a public performance can occur in such a place only if there is "a substantial number of persons outside of a normal circle of a family and its social acquaintances" gathered. *Plaintiffs' Brief* at p. 15. Plaintiffs make no contention, nor can they, that the villas at La Mancha are occupied by anything but a family and its social acquaintances. The evidence of record clearly establishes this fact. *Irwin Dep.*, Vol. I, 43/26-44/13. Accordingly, if La Mancha is determined to be a private club then, by plaintiffs' own admissions, the viewing of the videodiscs in the villas is considered private. See H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, reprinted in, U.S. Code Cong. & Ad. News 5659, 5677-78 (noting that a private club is, at best, a semi-public place—not a place "open to the public").

As explained above, however, whether La Mancha is considered a private club or a hotel, the viewing of the videodiscs by guests in the privacy of their rented villas does not constitute a public performance. Accordingly, Irwin, not plaintiffs, is entitled to a summary determination on this issue.

La Mancha Does Not Extensively Advertise

Plaintiffs also contend that Irwin "extensively advertised" the La Mancha facilities and "heavily emphasized" in those advertisements the availability of videodiscs. *Plaintiffs' Brief* at p. 7-8. Apparently, plaintiff is trying

to imply that this advertising renders La Mancha a public place.

Advertising is irrelevant to the determination whether a place is public or private. One can readily imagine a situation in which an apartment or condominium complex advertises heavily. Vacation resorts commonly do so. That advertising activity, however, does not convert those facilities to places "open to the public," depriving the residents of their privacy. On the other hand, plaintiffs would readily concede that the lack of advertising does not make a place more private. Surely plaintiffs would condemn a public performance in an establishment so popular that it need not advertise.

Irwin, however, does not extensively advertise the availability of videodiscs at La Mancha. To the contrary, Irwin's advertising is relatively modest. Exhibit 11. Irwin spends less than 10% of the total receipts at La Mancha on advertising. See *Irwin Decl.* ¶ 13; *Irwin Dep.*, Vol. II, 147/20-22. Moreover, the availability of the videodiscs is not "heavily emphasized" as claimed by plaintiffs. In an attempt to dramatize their claim that Irwin emphasizes videodisc availability, plaintiffs have provided a photocopy of what they claim to be "a La Mancha brochure." *Plaintiffs' brief* at 9. Even on its face, the brochure does not "heavily emphasize" videodiscs any more than the availability of cable television and large screen T.V. sets. Furthermore, what plaintiffs show is simply one panel of an eight panel brochure which was used only for a short period of time. Exhibit 6.

Copyright Ownership Remains in Issue

There remains a question of the registration and ownership of various copyrights. Plaintiffs now claim that only 65 copyrighted works are involved in this litigation. Plaintiffs have, until filing this motion, failed to produce copyright registrations and/or recorded assignments for 27 of the copyrights at issue despite repeated requests to do

so during discovery. These works are identified in Appendix A to Irwin's Statement of Genuine Issues. Moreover, plaintiffs have been under a continuing obligation to produce those documents as required by Local Rules 6 and 9. It is unfair to allow plaintiffs to produce these certificates now when Irwin has been denied an opportunity to review them during the discovery process and to seek additional discovery concerning these matters.

Moreover, even accepting plaintiffs' untimely submission of additional supporting documents as exhibits to plaintiffs' motion for summary judgment, ownership of the exclusive right to authorize public performances of 16 of the works is still not established. These 16 movies are identified in Appendix B to Irwin's Statement of Genuine Issues. Hence, plaintiffs have not produced sufficient documents to support their claim of ownership of the exclusive right to publicly perform 27 (or at least 16) of the copyrighted works. Absent proof of registration and/or recordation of exclusive assignments for those works, plaintiffs lack standing to claim infringement. 17 U.S.C. §§ 205(d), 411, 412 (1982); *Swarovski America Ltd. v. Silver Deer, Ltd.*, 537 F. Supp. 1201 (D. Colo. 1982) (right must be exclusive); *Ruskin v. Sunrise Management, Inc.*, 506 F. Supp. 1284 (D. Colo. 1981).

Plaintiffs Have Not Been Injured

Plaintiffs allege that they have been injured as a result of Irwin's activities. In support of this claim, plaintiffs provide a number of facts and dollar figures concerning closed circuit television and cable licensing agreements. Irwin has been seeking this information since last January when it made its initial discovery request. Plaintiffs have steadfastly refused to produce any of this information. To allow plaintiffs to produce it now, when it suits their purpose, is inappropriate and inequitable. Moreover, Irwin has had no opportunity to review the underlying material or seek additional discovery to ascertain its veracity or its

significance. Inasmuch as plaintiffs claim statutory damages, it is difficult to understand the relevancy of this information. Nonetheless, plaintiffs raise it, yet have denied Irwin an opportunity to review the information during discovery.

In addition, plaintiffs incorrectly state that Irwin discontinued its subscription to a cable movie channel as a result of installing videodisc players. In reality, only about half of the villas carried the movie channel. Moreover, Irwin continued the movie channel for at least a year after installing videodisc players. Irwin finally discontinued the movie channel subscription because its customers were not using it both before and after the videodisc players were installed. Usage was so low prior to installation of the videodisc equipment, that no drop off was measurable after installation. *Irwin Decl.* ¶ 10. Contrary to plaintiffs' contention, the movie channel was not "replaced" by the videodisc players. *Irwin Decl.* ¶ 10. This issue of alleged injury, however, is unimportant to Irwin's cross motion, for if Irwin is not violating the law, then plaintiffs' alleged injuries are the result of healthy competition, not infringement.

Plaintiffs' Licensing Agreements

Plaintiffs also contend that their license agreements with RCA do not authorize public performance. Here again, Irwin has sought these license agreements since January 1985, but plaintiffs have refused to produce them. To rely on the contents of those license agreements now to support their motion is unfair and should not be tolerated. Moreover, a review of those complete agreements is warranted in light of plaintiffs' reliance upon them.

Irwin Acted in Good Faith

Finally, there remains a factual issue about whether Irwin acted in good faith. Plaintiffs argued that Irwin "ignored" plaintiffs' protest letter. To the contrary, Irwin

responded promptly to that letter in a number of ways. First, it responded directly to counsel for plaintiffs explaining the actual videodisc rentals and correcting certain misperceptions expressed in the letter of plaintiffs' counsel. Exhibit 7. Second, Irwin directly sent letters to each of the movie studios requesting that they come to La Mancha to discuss this matter with Irwin. Exhibit 8. One movie studio responded to these requests and Irwin followed up with that studio. Exhibit 9. As a result, Irwin's intent is a quintessential issue of fact and, hence, one ill-suited for resolution on a motion for summary judgment. Inasmuch as this issue in large part will determine what, if any, damages are awarded, it is an issue that must be resolved.

Moreover, the record contains no evidence that Irwin's activities constitute willful infringement. In order to establish willful infringement, two elements are essential. First, the right at issue must be clearly defined. Second, the alleged infringer must be found to have intended to violate that right or to have done so without ground for believing his conduct was lawful. *United States v. Heilman*, 614 F.2d 1133, 1138 (7th Cir.), cert. denied, 447 U.S. 922 (1980); *United States v. Wise*, 550 F.2d 1180, 1194 (9th Cir.), cert. denied, 434 U.S. 929 (1977). Neither element can be resolved against Irwin on this record.

This district court in *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F.Supp. 429, 460, (C.D. Ca. 1979), held that willful infringement could not be found where the right asserted by plaintiffs and the legal issue are novel: "[D]efendants here could not know what copyright law required. Before this lawsuit, that issue had not been determined." The Ninth Circuit recognized that this uncertainty may affect the remedy available for infringement and may require a reduction or remission of statutory damages. *Sony Corp. of America v. Universal City Studios, Inc.*, 659 F.2d 963, 975 (9th Cir. 1981), rev'd, on other grounds, 464 U.S. 417 (1984).

Irwin believes that its activities are perfectly lawful and beyond the scope of plaintiffs' copyrights. The issue of public performance in the context of the factual setting of this case is one of first impression. The two cases principally relied upon by plaintiffs, *Redd Horne* and *Aveco*, were not even decided when plaintiffs brought this suit. Moreover, *Redd Horne* and *Aveco* do not resolve the public performance issue as it applies to Irwin. Irwin's position is reasonable and is supported by a substantial body of precedent. Merely because plaintiffs challenge Irwin's position does not render Irwin's action as bad faith. It would violate all notions of due process to resolve the issue of Irwin's intent on this record. In fact, all of the evidence of record relating to the issues exonerates Irwin. In view of the novelty of the public performance issue raised in this case, whether Irwin acted willfully at least presents a genuine issue of material fact, even if infringement is found.

These factual contentions render plaintiffs' motion for summary judgment defective. Nonetheless, ignoring these factual inaccuracies and disputes, and adopting plaintiffs' facts, Irwin still should prevail. As a result, these disputes do not adversely effect Irwin's cross-motion.

B. Irwin's Affirmative Defense of Misuse Raises Genuine Issues of Material Fact That Cannot Be Resolved Because Plaintiffs Have Prevented Development of an Adequate Record

Irwin has asserted the affirmative defense of misuse of plaintiffs' copyrights. If Irwin prevails on this claim, then plaintiffs' copyrights will be unenforceable. Irwin raises three basic factual contentions as the basis for this misuse claim: (1) plaintiffs have misused their copyrights by inserting notices on the videodiscs and tapes that state the viewing of the video is restricted to "home use;" (2) plaintiffs have filed this action and similar actions to prevent the development of a rental market in violation of

the antitrust laws; and (3) plaintiffs restricted their licensed distributors from selling to businesses that rent videodiscs and tapes in an attempt to perpetrate its antitrust scheme. As a result of plaintiffs' failure to produce documents in response to Irwin's document requests, these issues are not ripe for summary judgment.

Plaintiffs have clearly misused their copyrights by attempting to restrict the viewing of videotapes to "home use." More specifically, the notices on these videodiscs and tapes include strong language admonishing the viewer that only "home viewing" is permissible, that criminal and civil liability may be brought for non-home viewing. To support their threats, an FBI symbol is included on the warning. Exhibit 12.

The viewing of videos, however, is limited to private, not home, viewing. In enacting the copyright law, Congress noted that there would be circumstances of private viewing of motion pictures outside of the home. Specifically, Congress noted that in such "semi-public" places, such as clubs, lodges, factories, summer camps, and schools, the viewing of movies in the public areas of these facilities would be considered public performances only if viewed by "a substantial number of persons outside of a normal circle of a family and its social acquaintances. . ." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5677-78. Similarly, Congress recognized that meetings of business and governmental personnel would not be considered "public." *Id.* Plaintiffs themselves recognize in their supporting memoranda that a private performance can occur in such "semi-public" places outside of the home. *Plaintiffs' Brief*, at 15.

As a result, plaintiffs' threatening notices are an attempt to broaden their copyright monopoly beyond what the law grants, that is, to restrict all private performances except for home use. This abuse constitutes copyright misuse. The law specifically provides that a copyright holder

cannot enforce its copyrights if it has misused them. As the court in *F.E.L. Publications, Inc. v. Catholic Bishop of Chicago*, 506 F.Supp. 1127, 1136 (N.D. Ill. 1981), cert. denied, 459 U.S. 859 (1982), noted that:

A copyright, like a patent, is a statutory grant of monopoly privileges. Being a statutory grant, the rights are only such as the statute confers, and may be enjoyed only on the terms and conditions which it specifies. And as one eminent authority has pointed out, "The Copyright Act accords to each copyright owner a limited form of monopoly. An attempt to extend the scope of this monopoly will, under certain circumstances, result in violation of the antitrust laws. . . . Apart from the issue of antitrust violation . . . courts will on occasion invoke the equitable doctrine of unclean hands [a concept which includes copyright misuse] as a defense in a copyright infringement action . . . whether [it] is one of law or in equity." The policy underlying the misuse doctrine is designed to prevent a patentee [and a copyright owner as well] from projecting the economic effect of his admittedly valid grant beyond the limits of his legal monopoly. [citations omitted]

Id. at 411.

As a result, even if plaintiffs are correct in their claims against Irwin, their copyrights are still unenforceable because they have misused their copyrights by attempting to expand their legal monopoly beyond what the law allows. The courts have already recognized that restrictions limiting the use of copies to home use are unlawful. *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940).

In addition to the overbroad copyright notice, plaintiffs have also attempted to enlarge their copyrights through restrictive license agreements. Specifically, Irwin was in-

formed that plaintiffs restricted their licensed distributors, including RCA, from selling to businesses that rented videotapes and videodiscs. Inasmuch as rental is legal, plaintiffs' attempts to impose these restrictions constitute a misuse of their copyrights and a violation of the antitrust laws. Similarly, plaintiffs have brought this suit and other suits as a further attempt to restrict legitimate rentals of videodiscs and videotapes.⁹

Where a copyright owner has sought to extend the scope of its copyright beyond its proper scope, that misuse may violate the antitrust laws. It has long been established that, in that situation, the copyright owner will be denied relief against infringement.¹⁰ *M. Witmark & Sons v. Jensen*, 80 F.Supp. 843 (D. Minn. 1948); *Buck v. Gallagher*, 36 F. Supp. 405 (D. Wash. 1940), *appeal dismissed*, 315 U.S.

⁹ Plaintiffs have previously asserted that they cannot be found to violate the antitrust laws because they brought the suit in good faith. Plaintiffs' Memorandum in Opposition to Defendants' Motion to Compel. Irwin's misuse claim, however, is not based solely on plaintiffs' institution of this litigation. A copyright holder can violate the antitrust laws in a number of ways and the mere fact that an action may be brought in good faith does not mitigate an antitrust violation. *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 471 (7th Cir. 1982), cert. denied, 461 U.S. 958 (1983); *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417 (S.D. Ohio 1981).

¹⁰ The Supreme Court in *United States v. Loew's, Inc.*, 371 U.S. 38 (1962) recognized that the principle denying enforcement of a copyright used in violation of the copyright law grew out of patent jurisprudence. *Id.* at 45-46. The court noted also that the statutory monopoly accorded by copyright is limited and attempts to extend it must be confined. *Id.* at 49. The patentee's monopoly: "remains so long as he retains the ownership of the patented article. But sale of it exhausts the monopoly in that article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article." *United States v. Univis Lens Co.*, 316 U.S. 241, 250 (1942). Restriction imposed on purchasers of the patented article are illegal attempts to extend the patent monopoly rendering the patent unenforceable. *In re Yarn Processing Patent Validity Litigation*, 541 F.2d 1127, 1130 (5th Cir. 1976).

780 (1942). *Columbia Pictures Corp. v. Coomer*, 99 F.Supp. 481 (E.D. Ky. 1951).

These issues, however, are not ripe for summary decision. Plaintiffs have refused to produce virtually any documents in response to Irwin's document request addressing these issues. These genuine issues prevent plaintiffs from enforcing their copyrights thereby obtaining any summary judgment. These issues, however, are not raised by Irwin's cross-motion. Whether or not plaintiffs have abused their copyrights, the issue of public performance can be resolved. Accordingly, Irwin's cross-motion can be granted notwithstanding these factual issues.

V.

RESPONDENTS' ATTEMPT TO OBTAIN SUMMARY JUDGMENT ON IRWIN'S AFFIRMATIVE DEFENSES IS UNFOUNDED

Plaintiffs' attempts to obtain summary judgment on Irwin's first sale affirmative defense and laches affirmative defense is unfounded. As discussed in Argument I, Irwin's first sale doctrine affirmative defense is quite valid. The first sale doctrine ensures that Irwin has the continued right to rent videodiscs. Plaintiffs' attempt to avoid the first sale doctrine is misplaced. Plaintiffs confuse the first sale doctrine with public performance. In essence, plaintiffs are really arguing that the viewing of videos by guests in the private villas of La Mancha is a public performance—this does not render Irwin's first sale defense inoperative.

With regard to the laches argument, plaintiffs are creating a strawman argument. Plaintiffs initially asserted that Irwin's rental activities were unlawful. Inasmuch as plaintiffs have tolerated and endorsed rentals of videotapes and discs for many years, Irwin asserted the defenses of laches and estoppel. Subsequently, however, plaintiffs clarified their position on rental and stated at Mr. Irwin's deposition that Irwin is entitled to rent videodiscs. *Irwin*

Dep. Vol 1, 20/20-21. Accordingly, Irwin indicated at the Rule 9 pretrial conference held on July 31, 1985 that it would not pursue the laches defense. To now argue that the defense is invalid, seeks to have the court order what Irwin has already given.

VI.

CONCLUSION

Under any factual scenario, plaintiffs cannot prevail on their summary judgment motion. There is no support for the remarkable contention that viewing videos in the privacy of a villa rented at La Mancha is a public performance. Plaintiff's claims are contradicted by the law and simple logic. Accordingly, for the reasons provided above, defendants respectfully request that the court deny plaintiffs' Motion for Summary Judgment and enter summary judgment in favor of defendants, dismissing plaintiffs' complaint and awarding costs.

Dated: October 18, 1985

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UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA

NO. CV 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIMS

REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT AND IN OPPOSITION TO DEFENDANTS' CROSS-MOTION; DECLARATIONS OF STEPHEN A. KROFT, MAREN CHRISTENSEN AND TRACY A. DEVLIN

Hearing date: 12/9/85

Time: 10:00 A.M.

Courtroom No: 23

[Table of Contents omitted in this printing]

INTRODUCTION

Plaintiffs' pending motion for summary judgment is based on the inescapable conclusion that the performances of plaintiffs' motion pictures in La Mancha's guest villas constitute public performances because La Mancha, including its villas, is a place open to the public. Although defendants have attempted to demonstrate that La Mancha

is a "club", not a "hotel," and does not "extensively" advertise, neither these facts, even if true, nor the fact that presumably each of La Mancha's guest villas is limited to use by one set of paying guests at a time, alter the essential fact that La Mancha is a public place. Indeed, since defendants *concede* that La Mancha solicits the patronage of the general public and that any member of the public can stay at La Mancha without restriction for up to three visits (*see* note 1, *infra*), the necessary factual premise for plaintiffs' motion (*i.e.*, that La Mancha is a place open to the public) is undisputed, and accordingly, summary judgment is proper.

Recognizing that there is not genuine issue of material fact on the dispositive "public place" issue, defendants attempt to avoid summary judgment by arguing that La Mancha is more like a vacation home than a mini-movie theater, invoking the first sale doctrine (and a related misuse defense) and arguing that factual issues remain with respect to the ownership of plaintiffs' copyrights, the scope of plaintiffs' licenses to RCA, injury to plaintiffs, and defendants' good faith. However, as demonstrated below, defendants' mini-movie theater, first sale and misuse arguments are incorrect as a matter of law, and defendants' alleged remaining factual issues either are legally immaterial or have been waived by defendants. Accordingly, plaintiffs' summary judgment motion should be granted, and defendants' cross-motion should be denied.

ARGUMENT

I.

THE EXHIBITIONS OF PLAINTIFFS' MOTION PICTURES AT LA MANCHA CONSTITUTE PUBLIC PERFORMANCES

Defendants' Memorandum In Opposition To Plaintiffs' Motion (hereinafter "Defs. Memo") repeatedly concedes that La Mancha, including its guest villas, is open to the

general public. For example, the memorandum states: "Until membership is full, non-members *from the general public* are allowed to stay at La Mancha within certain limits"; "A *member of the general public* . . . can make a reservation at La Mancha without sponsorship from a member. A non-member can also make a reservation through a travel agent"; "Irwin advertises the availability of La Mancha *to the public*" (emphasis added).¹

Despite these concessions, defendants assert that the exhibitions of plaintiffs' motion pictures in this public place somehow do not constitute infringing public performances. This contention is based on a misinterpretation of the statutory definition of "to perform publicly," a misreading of the cases which have construed this definition, a mischaracterization of the nature of defendants' facility and a misapplication of cases involving state law and the Fourth Amendment.

A. The Performances At La Mancha Constitute Infringing Public Performances Regardless Of The Composition Of The Audience Viewing Plaintiffs' Motion Pictures

Defendants first argue that the performances at La Mancha are not public because they presumably occur only in the presence of a few persons at a time. To support this argument, defendants contend that even though the definition of "to perform publicly" contained in Clause (1) of §101 of the Copyright Act is written in the disjunctive, a performance in a place open to the public (which satisfies the first part of this disjunctive definition) cannot be considered a public performance unless it occurs before "a substantial number of persons outside a normal circle of a family and its social acquaintances" (the requirement of the second part of the disjunctive definition). (Defs. Memo pp 12-14). It is difficult to understand the basis for this

¹ Defs. Memo 3/24-25; 4/20-21; 5/1-3.

argument. Not only is it directly contrary to the plain language of the statute, but as plaintiffs' moving papers (hereinafter "Plaintiffs' Memo") demonstrate, it is also inconsistent with both the legislative history and the relevant cases, which clearly state:

"Under the first part of Clause (A) a performance or exhibition would be 'public' if the place where it occurred is 'open to the public', *regardless of the number of persons present at the particular time.*" (emphasis added)

House Revision Part 6 Supplementary Report of the Register of Copyrights on The General Revision of the U.S. Copyright Law: 1965 Revision Bill (Comm. Reprint) at 24; see Plaintiffs' Memo, p. 16, note 11.

"The statute is written in the disjunctive, and thus two categories of places can satisfy the definition of 'to perform a work publicly' . . . *Clearly, if a place is public, the size and composition of the audience will be determinative.*" (emphasis added) *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 158 (3d Cir. 1984) (hereinafter "*Redd Hornee*")

In sum, since La Mancha, including its guest villas, is a place open to the public, the performances of plaintiffs' motion pictures in La Mancha's guest villas constitute public performances under the first part of the disjunctive definition of Clause (1) regardless of the fact that such performances presumably occur only in the presence of no more than a few persons.²

² Defendants contend, without citation to any authority, that this conclusion is erroneous, arguing by analogy that a performance which occurs in a public bar or theater rented for an evening by a family and its social acquaintances would be a private, not a public, performance (Defs memo 13/24-27). This contention is erroneous. For, it is

B. La Mancha, Including Its Guest Villas, Is A Place Open To The Public

Defendants next argue that even if their strained interpretation of the statutory definition of "to perform" publicly is incorrect, the performances at La Mancha are not public because La Mancha, including its guest villas, is not "a place open to the public" within the meaning of the statute. Defendants make a number of contentions to support this argument, each of which is addressed below:

1. Defendants first contend that La Mancha cannot be deemed a place open to the public because it is not similar to a "mini-movie theater." In support of this contention, defendants argue that liability was imposed in *Redd Horne, supra*, and *Columbia Pictures Industries, Inc. v. Aveco, Inc.*, 612 F.Supp. 315 (M.D. Pa. 1985) (hereinafter "*Aveco*") only because defendants' facilities in those cases were found to be similar to mini-movie theaters (Defs. Memo pp. 14-17). In making this argument, defendants misread *Redd Horne* and *Aveco*. In making this argument, defendants misread *Redd Horne* and *Aveco*. The courts held that the performances in those cases were public solely because defendants' facilities were "places open to the public," *not* because they were similar to mini-movie theaters. Although the courts analogized the defendants' businesses in those cases to mini-movie theaters, they did so merely to *illustrate* the public nature of defendants' facilities. By doing so, however, the courts clearly did not make similarity to a movie theater the *sine qua non* for

established that the mere fact that individuals can arrange private viewings of motion pictures in a public facility (such as a bar or theater) does not alter the facts that the facility is a place open to the public and that "private" viewings therein therefore constitute public performances. *Redd Horne, supra*, 749 F.2d at 159; *Aveco, supra*, 612 F.Supp. at 319.

finding a place open to the public within the meaning of the statute.³

2. Defendants next contend that La Mancha, including its guest villas, cannot be considered a public place because the individual villas are no different than private vacation homes, i.e., "homes away from home," and such a private vacation home cannot be considered a public place (Defs. Memo 14/9-10, 17/13-15, 19/11-14). This contention is erroneous. First, as *Red Horne* emphasized, the relevant "place" within the meaning of §101 is the entire La Mancha facility, not each individual villa. See 749 F.2d at 159. Were the law otherwise, nightly viewings in private restaurant dining rooms or in private gaming rooms in Las Vegas casinos of motion pictures rented out by the restaurants or casinos would be deemed private, not public, because the viewings take place "in private." *Red Horne* teaches that this result would be contrary to the statute. 749 F.2d at 159 ("Simply because the cassettes can be viewed in private does not mitigate the essential fact that [the restaurant or casino] is unquestionably open to the 'public.'") Similarly, the result sought herein by defendants would also be contrary to the statute because it is beyond dispute that the entire La Mancha facility, including all of its guest villas, is open to the public. (See note 1 & accompanying text, *supra*; Plaintiffs' Memo, 7, 16).⁴

³ Indeed, despite their attempt to argue to the contrary, defendants ultimately concede that their mini-movie theater interpretation of *Redd Horne* and *Aveco* is not well taken. For, after devoting nearly four pages to the argument (Defs. memo pp. 14-17), defendants state: "The courts in *Redd Horne* and *Aveco* use the dichotomy of theater-like versus home-like use because these are the two extreme examples of public and private use. Performance at a movie theater is the essence of public performance. Similarly, home viewing is undoubtedly private. These extremes, however, do not define the limits of public and private viewing. Performing video movies at a bar open to the public is not like a theater but would be considered a public performance." (emphasis added) Defs. memo 17/21-28).

⁴ Defendants contend that if the entire La Mancha facility, like the

Defendants' attempted analogy to vacation homes is also inapt for several other reasons. Unlike La Mancha's villas, which are rented by the night (usually with a 2 night minimum), vacation homes are either owned by their occupants or are leased for a long period of time. Hence, vacation homes are not rented and re-rented to a constant turnover of new occupants every few days as are La Mancha's villas. These fundamental differences clearly justify treating La Mancha's guest villas differently than vacation homes for purposes of the public performance provisions of the Copyright Act. As the Court stated in *Aveco*, "A person's [vacation] home is not rented out in two hour [or two day] shifts, [thereby] afford[ing] separate groups of persons the opportunity [among other things] to see a variety of motion pictures. Nickelodeon's [and La Mancha's] rooms are." 612 F.Supp. at 320.

Defendants also attempt to make much of the fact that unlike the viewing rooms in *Aveco*, La Mancha's villas are complete living accommodations, "with living rooms, dining rooms, kitchens and separate bedrooms" (Defs. Memo

stores in *Redd Horne* and *Aveco*, is deemed a public place, then whenever a building such as an apartment building or office building has any common areas open to the public, the entire building, including each individual apartment and private office suite, would likewise necessarily be deemed a public place, thereby converting all private viewings in those apartments and office suites into infringing public performances (Defs. Memo 18/16-19/2). This "parade of horrors" misconstrues plaintiffs' argument. Plaintiffs do not contend, nor did *Redd Horne* and *Aveco* hold, that merely because a building has some common areas open to the public the entire building, and each individual unit therein, must be deemed a public place. It is only when the entire facility, including each individual unit contained therein, is, like La Mancha, regularly open to the public that the facility and all of its individual units must be considered public. Indeed, defendants themselves appear to recognize the analytical validity of this approach, stating that "the issue is not whether there [is] any common area open to the public, but whether the entire facility is . . . considered a 'public place'" and that this was "the key factor in the *Redd Horne* and *Aveco* decisions." (emphasis added) (Defs. Memo 19/6-8).

17/12-15). While this is true, it is irrelevant. The only issue before the Court is whether La Mancha, including its guest villas, is a place open to the public, not whether La Mancha's public accommodations contain some of the comforts of home.

3. Defendants next contend that La Mancha is a "private club" and that this alleged fact establishes that La Mancha is not a place open to the public. Defendants are mistaken. Even though La Mancha apparently has members, and in that sense is contended by defendants to be a "club," this fact is irrelevant to a determination of whether the performances at La Mancha are public. For, it is well established that performances in alleged private clubs are nonetheless public if use of the club is open to the general public. See *Lerner v. Club Wander In, Inc.*, 174 F.Supp. 731, 732 (D. Mass. 1959). In other words, where, as here, a performance is alleged to be public under the first prong of the disjunctive definition in Clause (1), the issue is not whether it is proper to attach the label "private club" to defendants' business establishment, but rather whether the business establishment is also open to members of the general public. If it is open to use by the public, it must be considered a public place for purposes of the first prong of Clause (1) regardless of whether it also has a "membership roster."

Here, as indicated above and in plaintiffs' moving papers (note 1, *supra*; Plaintiffs Memo, pp. 7, 16), La Mancha is not restricted to use by "members only." Rather, it actively solicits the patronage of, and is indisputably open to, any member of the public for at least three visits. Accordingly, the performances at La Mancha must be deemed public regardless of the "private club" label which defendants have attached to their business venture.

4. Finally, defendants contend that even if La Mancha were licensed to operate as a hotel rather than a private club, state law and Fourth Amendment concepts of privacy

applicable to hotel rooms establish that La Mancha's guest villas constitute private, rather than public, places. This contention lacks merit for several reasons. First, as noted above, the relevant "place" within the meaning of the Copyright Act is the entire La Mancha facility, not each individual villa. Thus, the degree of privacy afforded to the occupants of individual villas is irrelevant to determining whether La Mancha is a place open to the public.

Second, neither state law nor Fourth Amendment principles govern the interpretation of the Copyright Act. As to state law, it has been repeatedly held that such laws are irrelevant to a determination of whether a place is open to the public for purposes of the public performance provisions of the Copyright Act. *Lerner v. Schectman*, 228 F.Supp. 354, 357 (D. Minn. 1964) ("substantive applications of the Copyright Act are not based on a status created by local law"). Accord: *Broadcast Music, Inc. v. Walters*, 181 U.S.P.Q. 327, 328 (N.D. Okla. 1973). And, while the issue has never been addressed directly in the Fourth Amendment context, it seems obvious that the Fourth Amendment does not, and was never intended to, limit rights under statutes, such as the Copyright Act, legitimately enacted by Congress pursuant to other provisions of the Constitution. Indeed, in *Stoner v. California*, 376 U.S. 483, 84 S.Ct. 889 (1964), a case holding the Fourth Amendment applicable to hotel rooms, the supreme Court warned that it is inappropriate to confuse concepts of privacy embraced within the Fourth Amendment with the application of other legitimate laws. 376 U.S. at 488. *C.F. Lerner v. Schectman*, *supra*, 228 F.Supp. at 358 (cases interpreting federal tax law inapplicable to interpretation of public performance provisions of Copyright Act because "the philosophy underlying these tax decisions is not analogous to the issue joined here under the Copyright Act").

Third, even if application of state law and Fourth Amendment principles were appropriate in the copyright context, these principles would reinforce the conclusion

that the performances at La Mancha are public. For, under state law hotels are considered "places of public accommodation." *Isbister v. Boys Club of Santa Cruz, Inc.*, ___ Cal.3d ___ 85 D.A.R. 3516 (*Los Angeles Daily Journal*, October 21, 1985) (quoting *Marina Point, Ltd. v. Wolfson*, 30 Cal.3d 721, 731, 180 Cal.Rptr. 496 (1982)).⁵ Moreover, guests of hotels are not considered tenants (such as tenants of rented vacation homes); "they are mere licensees and the control of the rooms . . . remains in the proprietor." *People v. Vaughn*, 65 C.A.2d Supp. 844, 852 (1944). Accord: *Sloan v. Court Hotel*, 72 C.A.2d 308, 314, 164 P.2d 516 (1945). Similarly, the Fourth Amendment cases cited by defendants recognize that rented hotel rooms cannot be considered "private" for all purposes even though they are entitled to the protection of the Fourth Amendment. See e.g. *United States v. Agapito*, 620 F.2d 324, 331-32 (2d Cir. 1980). Thus, defendants' suggestion that La Mancha's villas lose their character as public places within the control of defendants when they are rented to La Mancha's guests is contrary to state law and unsupported by cases interpreting the Fourth Amendment.

II.

THE FIRST SALE DOCTRINE DOES NOT EXCUSE DEFENDANTS' INFRINGING CONDUCT

Despite the fact that the performances in La Mancha's guest villas occur in a place open to the public, and hence constitute unauthorized public performances, defendants contend that *their* activities are nonetheless protected by

⁵ Indeed, *Isbister* establishes that even private clubs are deemed "places of public accommodation" if, like La Mancha, they are open to broad segments of the public. Even prior to *Isbister*, it was established that private clubs could be considered hotels if the dominant characteristics of the premises are, like La Mancha's, those of a hotel. *Erwin v. City of San Diego*, 112 C.A.2d 213, 216-17, 246 P.2d 105 (1952).

the first sale doctrine (Defs. Memo pp. 7-11). More particularly, defendants argue that because they lawfully acquired their discs of plaintiffs' motion pictures from RCA, they are free under the provisions of 17 U.S.C. §109(a) to rent them without liability even for the purpose of unauthorized public performances. This argument is completely devoid of merit.

As plaintiffs have previously explained (Plaintiffs' memo, pp. 24-26), under the first sale doctrine, a copyright owner's sale of a copy of his work divests him *only* of his right under 17 U.S.C. §106(3) to control the future *transfer* (i.e., distribution) of that particular copy. It does not, however, divest him of any of the other exclusive rights in the work (including the right to authorize public performances) conferred upon him by the other four subdivisions of §106. *Redd Horne*, 749 F.2d at 158, 159-60; *Aveco*, 612 F.Supp. at 319. Conversely, lawful acquisition of such a copy does not convey to the purchaser any of the rights thus reserved by the copyright owner. *Aveco*, 612 F.Supp. at 312; 17 U.S.C. §202.⁶

Accordingly, although a purchaser of an authorized copy may rent out the copy under §109(a) without violating the copyright owner's §106(3) rights of distribution, he may not, despite defendants' contrary contention, do so in ways that violate any of the other exclusive rights set forth in §106. *Redd Horne*, *supra*, 749 F.2d at 159-60. In particular, as the court in *Aveco* made clear, he may not rent the copy for use in an infringing public performance. *Aveco*, *supra*, 612 F.Supp. at 319 ("We reject the defendants' argument that their activities are protected by the first

⁶ Defendants complain that the grant in §106 of several separate and distinct rights is somehow "inequitable" because it permits the copyright owner to receive a separate royalty for the exploitation of each of these rights. (Defs. memo, 7/17-8/9). However, if defendants are unhappy with this statutory scheme they should address their complaint to the drafters of the law (i.e., to Congress), not to this Court.

sale doctrine. The first sale doctrine gives the Defendants the right to rent the videocassettes they have purchased from the Plaintiffs. It does not, however, give them any of the other rights granted exclusively to the Plaintiffs under §106 including the right to authorize public performances of the movies." The House Report which accompanied the 1976 Copyright Revision Act is equally clear on the matter. There Congress expressly stated:

"Under Section 202, however, the owner of the physical copy or phonorecord cannot reproduce or perform the copyrighted work publicly without the copyright owner's consent." House Report, p. 79

"[A] person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance." House Report, p. 61.

The last quoted portion of the House Report describes defendants' rental activities exactly.⁷ Accordingly, there is no doubt whatever that defendants' activities constitute an infringement and are not protected by the first sale doctrine.⁸

⁷ As defendants observe, when the House Report was written, Congress was well aware of video disc technology and, thus, the above-quoted passage obviously applies to such technology. In view of this unequivocal expression of Congressional intent, defendants are clearly wrong in asserting that "Congress chose not to prohibit or limit in any way the rental of videos". (Defs. Memo 11/8-10).

⁸ None of the cases cited by defendants requires a different conclusion. *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), the principal authority relied upon by defendants, did not even involve application of the Copyright Act. The works there involved were uncopyrightable phonograph records. (c.f., *Goldstein v. California*, 412 U.S. 546, 563-64, 93 S.Ct. 2303 (1973)). Thus, only common law rights were involved in *Whiteman*, and, hence, the statutory first sale doctrine

III.

DEFENDANTS' ALLEGED CONTROVERTED ISSUES OF FACT ARE NOT MATERIAL

It is well established that to defeat a motion for summary judgment the opposing party must show that genuine issues of *material* fact are in dispute. F.R.Civ.p. 56(c). If disputed facts remain, but are not material, they "cannot be held to bar the granting of summary judgment." *British Airways Board v. Boeing Co.*, 585 F.2d 946, 952-3 (9th cir. 1978). Here, although defendants attempt to demonstrate that there are several issues of disputed fact, the following discussion will show either that these alleged issues are immaterial or that defendants have waived the issues.

1. The Alleged Issue Of Whether La Mancha Is A Hotel Open To The Public

Defendants contend that there is a question of fact as to whether La Mancha is a hotel as opposed to a "private club."⁹ As demonstrated above, however, this alleged issue is irrelevant to a determination of whether the performances at La Mancha constitute public performances. For, despite the "private club" label attached to La Mancha by defendants, it is nonetheless undisputed that La Mancha, including its guest villas, is open to the public. (See note

was not even an issue. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908) and *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F.Supp. 881 (E.D. Pa. 1964) merely involved the right to resell lawfully acquired copies, not the alleged right to rent the copies for unauthorized public performances; accordingly, these latter two cases are also inapplicable here.

⁹ Defendants' statement that the advertisements contain such restrictions (Defs. Memo 5/3-4) is simply in error. This fact is not genuinely in dispute because the actual public advertisements (as opposed to La Mancha's brochures, e.g., Defendants' Exh. 4) which disclose the lack of any such restrictions are themselves in evidence (see Ptf. Exhs. 2, 14-17; Defs. Exh. 11).

1, *supra*; Ptf's. memo, pp. 7, 16). Accordingly, the performances at La Mancha occur at "a place open to the public" and, hence, constitute public performances within the first prong of the statutory definition regardless of whether La Mancha could properly be characterized as a "private club." (See §I.B.3., *supra*).

Defendants nonetheless contend that if La Mancha is considered a private club, it necessarily follows that it is a "semi-public" place in which performances can be deemed public only if they occur before a substantial number of persons outside of a normal circle of a family and its acquaintances. In other words, defendants argue that a performance in a "private club" can be deemed public only if the composition of the audience satisfies the criteria of the *second prong* of the definition in Clause (1). (Defs. memo, pp. 22-23). Defendants are mistaken. As the decision in *Lerner v. Club Wander In, Inc.*, *supra*, makes clear, if an alleged private club is, like La Mancha, open to both "members" and the general public, it is indisputably a place open to the public. And, as previously demonstrated, it is well-established that performances in such a public place constitute public performances regardless of the composition of the audience. *Redd Horne, supra*; *Aveco, supra*.

2. The Alleged Issue Of The "Extensiveness" of La Mancha's Advertising

The uncontradicted affidavits submitted by plaintiffs, as well as Irwin's own testimony, establish beyond any doubt that La Mancha is a place open to the public. (See Beattie, Porter and Smith Decls; Irwin Depo. 35/18-36/20, 48/2-11, 48/27-49/11; Exhs. 2, 9-11, 14-16, 21, 52). Defendants' advertisements demonstrably underscore this fact. For, as discussed in Plaintiffs' Memo (p. 16), the advertisements contain *no restrictions of any kind* on the ability of members of the public to stay in La Mancha's guest villas.¹⁰

¹⁰ Defendants' statement that the advertisements contain such re-

Defendants nonetheless contend that there is an issue of fact concerning whether La Mancha "extensively" advertises. (Defs. Memo p. 23). However, the "extensiveness" of defendants' advertising clearly is not germane to the question of whether La Mancha is a place open to the public. It is not the number of such advertisements which have been published by defendants, but their content, which reinforces the unavoidable conclusion that La Mancha is open to the public. Accordingly, the "extensiveness" of defendants' advertising is clearly not a *material* fact sufficient to defeat plaintiffs' motion for summary judgment.

3. The Alleged Copyright Ownership Issue

Defendants contend that factual issues exist as to plaintiffs' ownership of 27 of the 65 copyrights at issue because the copyright certificates and other documents of ownership of rights in these motion pictures were allegedly not produced by plaintiffs until this motion was filed. They further argue that plaintiffs have failed to produce proof of the exclusive right to authorize public performances of 16 of these 27 motion pictures (Defs. memo 24/7-26). Defendants do not, however—nor can they—contend that there is any issue of fact concerning plaintiffs' copyright ownership of the other 38 motion pictures. (See *Defendants' Statement of Uncontroverted Facts and Conclusions of Law* ¶21). These 38 copyrights alone are clearly sufficient to support the entry of an order for summary judgment and an award of statutory damages and a permanent injunction pursuant thereto.

Furthermore, except for defects which might possibly appear on the fact of plaintiffs' ownership documents (see note 13, *infra*), defendants have waived their argument

strictions (Defs. memo 5/3-4) is simply in error. This fact is not genuinely in dispute because the actual public advertisements (as opposed to La Mancha's brochures, e.g., Defendants' Exh. 4) which disclose the lack of any such restrictions are themselves in evidence (see Ptf's. Exhs. 2, 14-17; Defs. Exh. 11).

concerning plaintiffs' ownership of the remaining 27 motion pictures. Thus, in a letter dated August 5, 1985, defendants' counsel *agreed* to wait until the filing of plaintiffs' summary judgment motion to receive any ownership documents which had not been previously produced (Second Kroft Decl. ¶4 and Exh. 56 thereto).¹¹ Plaintiffs did what was agreed to, and thus defendants are now in no position to complain that they did not receive these documents until plaintiffs filed their motion. Moreover, at the September 18, 1985 hearing in this matter defendants indicated that upon receiving these ownership papers they would *not* challenge plaintiffs' copyright ownership:

"THE COURT: And a subsidiary issue to that is whether or not the plaintiffs have copyrights on all those films.

"You don't seriously question that they do, do you?"

"MR. KING: *My only problem* is, your Honor, I have not been shown ownership papers for all of them." (emphasis added)¹²

Defendants now have the ownership papers with respect to the 27 [or 15—see note 11, *supra*] motion pictures to which defendants' counsel made reference and, accordingly, there is no longer an issue with respect to such ownership.¹³

¹¹ At that time, defendants were complaining that they had received incomplete ownership documents for only 15 of such motion pictures. (Second Kroft decl. ¶3 & Exh. 55 thereto). Defendants have not explained how the number has now swollen to 27.

¹² Reporter's Transcript of Proceedings, September 18, 1985 (hereinafter "R.T."), p. 5 (lines 10-16).

¹³ Nonetheless, plaintiffs acknowledge that they have not timely produced ownership documents for 3 of the motion pictures at issue. These pictures are: "The Lady Sings The Blues" (Claim 27); "Hamlet" (Claim 68); "Movie, Movie" (Claim 70). Nor have plaintiffs presented proof

Plaintiffs do not mean to suggest that defendants waived their right to demonstrate that the documents of ownership of these 27 [or 15] motion pictures are *on their face* inadequate. However, defendants have made no such showing.¹⁴ Indeed, they have given no explanation whatsoever for their claim that plaintiffs' ownership documents are defective for the 16 motion pictures in this group which are listed on Exhibit "B" of defendants' Statement of Genuine Issues.¹⁵

4. The Alleged Issue Of Plaintiffs' Injury

Defendants contend that there is a factual issue as to whether plaintiffs have been injured by defendants' activities and contend further that summary judgment cannot be granted because defendants have not had full discovery on this issue. These contentions lack merit.

that the documents of copyright transfer for 5 motion pictures which were not originally registered in plaintiffs' names have been recorded in the Copyright Office as required by 17 U.S.C. §205(d). (*But see Meta-Film Associates, Inc. v. MCA INC.*, 586 F.Supp. 1346, 1350-52 (C.D. Cal. 1984).) These pictures are "Farewell, My Lovely" (Claim 10), "An American Werewolf In London" (Claim 51), "Endless Love" (Claim 52), "the Great Muppet Caper" (Claim 53) and "The Jazz Singer" (Claim 54). Accordingly, in order to avoid the necessity of dealing with unnecessary and peripheral issues on this motion should plaintiffs' motion be granted, plaintiffs' claims for infringement of these eight motion pictures will be deemed withdrawn.

¹⁴ Although defendants vaguely suggest that they may wish "to seek additional discovery" with respect to plaintiffs' ownership of these 27 [or 15] motion pictures, the good faith of this suggestion is suspect in view of the facts that defendants to not indicate what they expect to discover and, indeed, have conducted no such discovery during the 6 month period in which they have had the ownership documents for the other 38 motion pictures in issue. (Second Kroft Decl. ¶3). See *Contemporary Mission, Inc. v. U.S. Postal Service*, 648 F.2d 97, 107 (2d Cir. 1981) (a party "cannot defeat a motion for summary judgment by merely . . . amplifying [its contentions only with speculation about what discovery might uncover.]")

¹⁵ Eight of this group of 16, however, will be deemed withdrawn if plaintiffs' motion is granted. (See note 13, *supra*).

It is true, as defendants observe, that plaintiffs' moving papers summarize to some extent certain historical facts concerning plaintiffs' hotel licensing activities. These facts are presented for background purposes only, and not for the purpose of proving any damages as a necessary part of plaintiffs' case. Although plaintiffs *have* been damaged by defendants' infringing conduct, proof of this fact is unnecessary because on September 18, 1985, in open Court, plaintiffs elected pursuant to 17 U.S.C. §504(c) to recover statutory damages instead of actual damages. (R.T. 4/1-8, 10/5-13). And, for purposes of this motion only, plaintiffs are willing to accept an award of such damages in the minimum amount (*i.e.*, \$250) for each infringement alleged. Plaintiffs have the absolute statutory right to make this election and, accordingly, the question of whether plaintiffs have suffered any damages from defendants' activities is simply not an issue in this case. See *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984) ("statutory damages may be elected whether or not there is adequate evidence of the actual damages suffered by plaintiff").¹⁶

Defendants themselves concede that in view of plaintiffs' election to recover statutory damages, the question of whether plaintiffs have been damaged is irrelevant. (Defs. Memo 25/11-13). Indeed, when plaintiffs elected statutory damages, defendants withdrew their request for discovery on this issue. (Second Kroft Decl. ¶s 5-6; R.T. 10/5-13). Thus, not only is the question of plaintiffs' damages *legally* irrelevant to the issues presented by plaintiffs' pending motion, but defendants are barred by their own concessions from now raising, or seeking discovery on, the question in an attempt to defeat the motion.

¹⁶ Although the *extent* of plaintiffs' damages could, under certain circumstances, conceivably be material to the amount of statutory damages awarded by the Court between the statutory minimum (\$250) and maximum (\$10,000), the amount of such statutory damages is not an issue on this motion since, as noted above, plaintiffs have agreed for purposes of the motion to accept *minimum* statutory damages.

5. The Alleged Issue Of The Scope Of Plaintiffs' Agreements With RCA

Defendants contend that there is a disputed factual issue as to whether plaintiffs' license agreements with RCA authorize public performances of plaintiffs' motion pictures by means of the discs manufactured by RCA. This contention is based on pure speculation.¹⁷ Defendants have presented no evidence to support this contention, and indeed, the uncontroverted declarations presented by plaintiffs are directly to the contrary.

Defendants complain that they have never received copies of the RCA license agreements from plaintiffs, and from this fact argue that plaintiffs' motion should be denied to permit defendants to conduct discovery on this issue (Defs. Memo, p. 26). This argument is disingenuous.

Although this action was filed on April 25, 1983, defendants have never attempted during this 2-1/2 year period to subpoena the license agreements from RCA. Moreover, on September 18, 1985, nearly *two months* ago, plaintiffs agreed to produce copies of all relevant portions of these agreements as soon as the parties agreed on the language of an appropriate protective order (*see* Christensen Decl.).¹⁸ Indeed, a suggested protective order had been sent to defendants the previous week to expedite this pro-

¹⁷ As noted above (note 14, *supra*), such speculation is insufficient to defeat a summary judgment motion. *Contemporary Mission, Inc. v. U.S. Postal Service*, *supra*; *Childers v. High Society magazine, Inc.*, 557 F.Supp. 978, 985 (S.D. N.Y. 1983) (summary judgment granted despite defendants' speculative contention that a factual dispute existed as to the scope of a written transfer of copyright).

¹⁸ These agreements are highly confidential. There is no reason whatever to require plaintiffs to produce to defendants financial terms and other portions of these sensitive documents which are unrelated to the scope of the rights granted to RCA. Indeed, the counsel's knowledge *no individual plaintiff* has ever seen the license agreements which the other plaintiffs have with RCA.

duction (*Id.*). Although defendants' counsel discussed revisions to this proposed order with plaintiffs' counsel until October 4, 1985, no agreement was reached. (*Id.*). Thereafter, defendants ceased all communications on the subject (*Id.*), choosing instead to make a "lack of discovery" argument in opposition to plaintiffs' motion.

Despite this tactical posturing by defendants, plaintiffs remain ready and willing to produce all relevant portions of these agreements within 24 hours of the entry of an appropriate protective order. (*See* Christensen Decl.). If the parties fail to agree on such an order, plaintiffs will have the documents available at the hearing on this motion. These documents confirm beyond doubt that, as plaintiffs' declarations already establish, the RCA licenses do *not* authorize public performances by means of the discs manufactured by RCA. Accordingly, defendants' "lack of discovery" argument can form no basis for denying plaintiffs' motion.

6. Defendants' Alleged Good Faith

Defendants contend that there is a factual issue as to whether they acted in "good faith", or willfully, in infringing plaintiffs' copyrights (Defs. Memo, pp. 26-27), and that this issue precludes entry of summary judgment. This contention is erroneous because the issue of defendants' good faith or willfulness is simply not material to the pending motion.

It is well established that a defendant's innocent intent is no defense to a copyright infringement action. 3 *Nimmer On Copyright* §13.08 at 13-136. *Accord: Universal City Studios, Inc. v. Sony Corporation of America*, 659 F.2d 963, 975 (9th Cir. 1981), rev'd on oth. grds. 104 S.Ct. 777 (1984). ("A copyright defendant's 'innocence' does not absolve him of liability; it only affects the remedies available."). Accordingly, defendants' alleged good faith is clearly not material to a finding of liability.

Nor, despite defendants' contrary contention (Defs. memo 26/18-19), are the issues of defendants' willfulness or good faith material to the amount of statutory damages to be awarded on the pending motion. Proof of willful infringement may, of course, permit an award of statutory damages above the statutory maximum of \$10,000 (17 U.S.C. §504(c)(2)). However, plaintiffs make no claim of willfulness in connection with this motion. To the contrary, for purposes of this motion only, plaintiffs have agreed to accept an award of minimum statutory damages (*i.e.*, \$250 per infringement) for each infringement at issue, thereby dispensing with the issue of willfulness on this motion. (*see* note 16, *supra*). Similarly, although proof of defendants' good faith may occasionally be germane in fixing the amount of statutory damages to be awarded between the statutory maximum and minimum, this issue is also obviated here by plaintiffs' election to accept the statutory *minimum* in connection with this motion.

Finally, if defendants are contending that proof of good faith would entitle them under 17 U.S.C. §504(c)(2) to a reduction in the statutory minimum from \$250 to \$100, they are mistaken. Section 504(c)(2) does not permit such a reduction upon a mere showing of "good faith". Rather, a reduction is justified only if the infringer '*had no reason to believe* that his or her acts constituted an infringement of copyright.' Here, as explained in Plaintiffs' Memo (p. 29, note 15), upon receiving plaintiffs' October 7, 1982 "cease and desist" letter defendants clearly had "reason to believe" that their activities infringed plaintiffs' copyrights. *Davis v. E.I. DuPont de Nemours & Co.*, 249 F.Supp. 329, 344 (S.D. N.Y. 1966) (receipt of "cease and desist" letter or telegram is sufficient to establish willful infringement). *Accord: Pye v. Mitchell*, 574 F.2d 476, 482 (9th Cir. 1978) (citing *Davis v. E.I. DuPont de Nemours & Co.*, *supra*, with approval). Nonetheless, they thereafter continued to rent copies of plaintiffs' motion pictures to La Mancha's guests (*See* Second Devlin Decl.). Thus, even

if defendants could prove that their contrary opinion was held in good faith, this would be legally insufficient to permit a reduction of minimum statutory damages below \$250 per infringement. Accordingly, defendants' alleged good faith cannot preclude summary judgment in plaintiffs' favor.

IV.

SUMMARY JUDGMENT IS APPROPRIATE ON DEFENDANTS' AFFIRMATIVE DEFENSES

Plaintiffs' Memo demonstrates that plaintiffs are entitled to summary judgment on defendants' two affirmative defenses. As discussed below, nothing in Defendants' Memo alters this conclusion.

A. Defendants' Have Waived Their Laches And Estoppel Defenses

Defendants' Memo states unequivocally that defendants have waived their laches defense Defs. Memo 31/26-32/2). Plaintiffs assume that by this statement defendants also intend to waive their alleged estoppel defense because they have presented no facts or argument in support of an estoppel claim. Given the absence of any such factual support, summary judgment on both the laches and estoppel claims is appropriate.¹⁹

¹⁹ Despite having waived these defenses, defendants nonetheless complain that they should not be held liable because they have invested money in their infringing movie program. (Defs. Memo 7/22-8/9). This investment is neither surprising nor unusual. Infringers often spend money on their infringing enterprise, but in the absence of a showing of laches or estoppel such expenditures neither absolve them of liability nor preclude relief against their illegal activities. See *Home Box Office Inc. v. Pay TV of Greater New York, Inc.*, 467 F.Supp. 525 529-30 (E.D. N.Y. 1979). Accord: *Universal City Studios, Inc. v. Sony Corporation of America*, *supra*, 659 F.2d at 976.

B. Defendants' Alleged Misuse Defense Is Invalid As A Matter Of Law

Defendants contend that their Answer asserts an affirmative defense of copyright misuse based either on alleged impermissible extensions of the scope of plaintiffs' copyrights or on purported violations of the antitrust always and that this defense cannot be disposed of by summary judgment. (Defs. Memo 28-31). This contention lacks merit for many reasons, each of which is discussed below.

1. The Alleged Misuse Defense Is Merely Another Aspect Of Defendants' "Private Performance" And "First Sale Doctrine" Arguments

Defendants' alleged misuse defense is contained in their Second Affirmative Defense. (See Answer ¶s 14-17). Despite defendants' contrary argument, that defense does *not* plead any antitrust violations. Indeed, no monopolistic, predatory or anticompetitive conduct of any kind is alleged, nor does the defense allege that plaintiffs' alleged conduct has had any effect on competition or has injured or affected any party other than defendants.²⁰ The defense merely contends that the performances at La Mancha constitute non-infringing private performances, that the first sale doctrine permits defendants to rent video discs for such private performances and that therefore plaintiffs' attempts to restrict defendants' rental activities constitute an attempt impermissibly to extend their copyright monopoly to cover private performances. (*Id.*) In sum, the defense is merely another aspect of defendants' arguments that performances at La Mancha do not constitute public

²⁰ This is neither an oversight nor the result of sloppy pleading. For, defendants have filed four antitrust counterclaims which contain detailed allegations of alleged anti-competitive conduct and purported antitrust violations. (See First-Fourth Counterclaims). Defendants' failure to include similar allegations in their Second Affirmative Defense leads inescapably to the conclusion that this defense does not, and was not intended to, embrace any such allegations.

performances and that defendants' activities are protected by the first sale doctrine.

As demonstrated above, however, it is clear that the performances at La Mancha constitute public, not private, performances, and that the first sale doctrine does not protect plaintiffs' activities. (See §§I & II, *supra*). Accordingly, the Second Affirmative Defense is deficient as a matter of law and cannot form the basis for denying plaintiffs' motion.

2. To The Extent That Defendants' Alleged Misuse Defense Attempts To Assert Matters Unrelated to Defendants' Infringing Activities It is Legally Insufficient

Despite the very narrow allegations of the Second Affirmative Defense, defendants appear to contend that the defense alleges that plaintiffs are attempting to extend their copyrights to preclude not only *defendants'* allegedly private performances but also *all* private performances which may occur outside the home (Defs. memo pp. 28-30). Defendants further contend that this purported attempt to extend the reach of plaintiffs' copyrights constitutes a form of unclean hands known as "copyright misuse" and thus precludes plaintiffs from any relief (*Id.*; See Answer 6/4-5). This contention is not well taken.

Even if the "misuse" allegations of the Second Affirmative Defense were as broad as defendants would like, and they could prove those broad allegations, the misuse/unclean hands defense would nonetheless be legally deficient. As noted above, since the performances at La Mancha are not private performances, plaintiffs are clearly not attempting to extend their copyrights to cover any private performance by *defendants*. And, even if plaintiffs were, contrary to fact, somehow attempting to enlarge their copyrights to preclude private performances by unrelated parties at locations other than La Mancha, for the reasons

discussed below this would be insufficient as a matter of law to establish a misuse defense in this case.

It is well established that the misuse/unclean hands doctrine "does not apply to every unconscientious act or inequitable conduct by the plaintiff. It is limited to misconduct connected with the matter in litigation, and does not apply to misconduct which is unconnected with the matter in litigation" (emphasis added). *Bentley v. Tibbals*, 223 Fed. 247, 252 (2d Cir. 1915).²¹ Here, it is clear that any alleged attempt by plaintiffs to preclude private performances outside the home by unrelated third parties is completely unconnected to defendants' conduct. Indeed, as discussed above, the performances by defendants are public, not private, performances. Accordingly, plaintiffs' alleged attempt to control private performances outside the home simply has no connection whatever with the public performances at La Mancha.²² Accordingly, even if defendants could prove their allegations of alleged misuse/unclean

²¹ Accord: *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 863 (5th Cir. 1979) ("The maxim of unclean hands is not applied where plaintiff's misconduct is not directly related to the merits of the controversy between the parties but only where the wrongful acts 'in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.' The alleged wrongdoing of the plaintiff does not bar relief unless the defendant can show that he has personally been injured by the plaintiff's conduct. (citations omitted)"); *Leo Feist, Inc. v. Young*, 138 F.2d 972, 976 (7th Cir. 1943). See *M. Witmark & Sons v. Jensen*, 80 F.Supp. 843 (D. Minn. 1984) (misuse defense sustained only because music copyright owners extended their copyrights to control *defendants'* allegedly infringing motion picture business).

²² Moreover, were the Court to find that the performances at La Mancha constitute private performances, the misuse defense would be superfluous. For, this action is based entirely on the premise that each performance at La Mancha constitutes an infringing *public* performance, not some type of unlicensed private performance. A finding that these performances are not public would thus make consideration of the misuse defense completely unnecessary.

hands as to third parties, such proof would be insufficient as a matter of law to bar plaintiffs from relief against these defendants.

3. Even If The Second Affirmative Defense Contained Allegations Of Antitrust Violations, It Would Be Insufficient As A Matter of Law

Even if the second Affirmative Defense alleged antitrust violations by plaintiffs, it would be legally insufficient to defeat plaintiffs' motion. For, it is well-established that a plaintiff's alleged violations of the antitrust laws do not excuse infringements of his copyrights. Indeed, for over sixty years the Courts have consistently rejected attempts to interpose antitrust defenses to copyright infringement actions. For example:

"The defendant set forth in his answer a separate defense that the plaintiffs are furthering a monopolistic scheme in violation of Acts of Congress forbidding monopolies and agreements in restraint of trade. Infringement of a copyright is a tort. (citation omitted) The defense alleged is not available to a defendant in an action for infringement of a copyright." *Buck v. Cecere*, 45 F.Supp. 441, 442 (W.D. N.Y. 1942).

"The Sherman Act does not make the party to an interstate monopoly an outlaw. It does not prevent such a party from asserting his rights in the courts. It does not give any person the right to trespass upon the rights of such party, or to deprive him unlawfully of his property. There is no provision in the act divesting the members of combinations in restraint of trade of their property. The illegality of such a combination cannot be tested collaterally. The act itself provides the remedies against the illegal combination and these remedies are exclusive."

M. Witmark & Sons v. Pastime Amusement Co., 298 Fed 470, 480 (E.D. So. Car. 1924), aff'd 2 F.2d 1020 (4th Cir. 1924).

Accord: *Foreign Car Parts, Inc. of New England v. Auto World, Inc.*, 366 F.Supp. 977, 979 (M.D. Pa. 1973); *Harms, Inc. v. Sansom House Enterprises, Inc.*, 162 F.Supp. 129, 135 (E.D. Pa. 1958), aff'd 267 F.2d 494 (3d Cir. 1959); *Society of European Stage Authors & Composers, Inc. v. WCAU Broadcasting Co.*, 35 F.Supp. 460, 461 (E.D. Pa. 1940); *Buck v. Newsreel, Inc.*, 25 F.Supp. 787, 89 (D. Mass. 1938); *Buck v. Hillsgrove Country Club, Inc.*, 17 F.Supp. 643 (D.R.I. 1937); *Vitagraph, Inc. v. Grobaski*, 46 F.2d 813, 814 (W.D. Mich. 1931); *Harms v. Cohen*, 279 Fed. 276, 280-81 (E.D. Pa. 122).²²

The reasoning of the foregoing cases makes a good deal of sense. If the law were otherwise, straightforward copyright infringement actions, any of which, like this case, are capable of summary adjudication, would frequently become complicated antitrust actions, bogged down in years

²² The cases cited by defendants (Defs. Memo, pp. 30-31) do not hold to the contrary. *Buck v. Gallagher*, 36 F.Supp. 405 (D. Wash. 1940) and *Columbia Pictures Corp. v. Coomer*, 99 F.Supp. 481 (E.D. Ky. 1951) were not copyright infringement actions and thus did not address the availability of an antitrust defense in such an action. *M. Witmark & Sons v. Jensen*, 80 F.Supp. 843 (D. Minn. 1948) merely found that plaintiffs had improperly extended, and hence misused, their copyrights and expressly declined "to determine whether antitrust violations alone would deprive plaintiffs of the right to recovery". 80 F.Supp. at 850. And, although the district court in *F.E.L. Publications, Inc. v. Catholic Bishop of Chicago*, 506 F.Supp 1127 (N.D. Ill. 1981) sustained an antitrust defense, in doing so it failed to discuss or even to mention any of the above-cited authorities. Nor, in reversing *F.E.L.* on appeal, did the Seventh Circuit address the legal sufficiency of an alleged antitrust defense. See 214 U.S.P.Q. 409 (7th Cir. 1982). Because the Seventh Circuit found that the defendant had failed to prove an antitrust violation, it was not required to, and hence did not, reach the issue of whether proof of such a violation would have been legally sufficient to constitute a defense to copyright infringement.

of discovery and protracted trial proceedings. Such a possibility, in turn, would discourage copyright owners with legitimate infringement claims, such as plaintiffs here, from pursuing their claims out of fear that to do so would embroil them in the defense of meritless, but nonetheless expensive and time-consuming, antitrust claims. Conversely, if an infringer is required to file any antitrust claims which he may have in an independent action (or, as defendants have done here, in a severable counterclaim), the filing of meritless antitrust claims will be discouraged while at the same time providing an infringer who has a legitimate antitrust claim with an appropriate forum.

Accordingly, to the extent that the Second Affirmative Defense purportedly rests on alleged violations of the antitrust laws, it is insufficient as a matter of law and should be summarily rejected.

V.

CONCLUSION

For all of the foregoing reasons, as well as the reasons set forth in Plaintiffs' Memo, plaintiffs' motion for summary judgment should be granted, and defendants' cross-motion should be denied.

DATED: November 11, 1985.

Respectfully submitted,
ROSENFELD, MEYER & SUSMAN
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Counterdefendants

UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA

NO. CV 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., tc., et al.,
Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., etc., et
al.,

Defendants.

AND RELATED COUNTERCLAIMS

PLAINTIFFS' STATEMENT BE GENUINE ISSUES OF MATERIAL FACT IN OPPOSITION TO DEFENDANTS' CROSS-MOTION FOR SUMMARY JUDGMENT (Local Rule 7.14.2)

Hearing Date: 12/9/85

Time: 10:00 A.M.

Courtroom No: 23

Pursuant to Local Rule 7.14.2, plaintiffs submit the following statement concerning genuine issues of material fact in opposition to defendants' cross-motion for summary judgment.

Plaintiffs contend that there are *no* triable issues of material fact regarding defendants' claim that the performances at La Mancha of plaintiffs' motion pictures are not public performances. Plaintiffs further contend that such performances are public performances as a matter of law because the undisputed facts establish that the performances occur in a place open to the public. Plaintiffs

contend that issues of fact exist concerning defendants' contentions that La Mancha allegedly (a) is not a hotel and (b) is a private club, but that these issues are *not material* to a resolution of this case. (See Plaintiffs' Reply Memorandum of Points and Authorities, §§ I.B. & III.1.).¹ Since these facts are not material to plaintiffs' contention that the performances at La Mancha constitute public performances, summary judgment in plaintiffs' favor is proper.

DATED: November 11, 1985

Respectfully submitted,
ROSENFELD, MEYER & SUSMAN
STEPHEN A. KROFT
MAREN CHRISTENSEN

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[Verification and Proof of Service omitted in this printing]

¹ For example, the evidence of record discloses that La Mancha is not licensed as a "private club" (see Defs. Exh. 1), that there are no meaningful restrictions for membership in the alleged club and no governing body of the alleged club (see Second Kroft Decl. ¶ 8) and that La Mancha is operated as a hotel (see Beattie, Smith and Porter Decls.; see also Plaintiffs Memorandum of Points and Authorities (filed 9/30/85) at p. 7 (and citations to record therein)).

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,
Plaintiffs,

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PROFESSIONAL REAL ESTATE INVESTORS, INC., *et al.*,
Defendants.

AND RELATED COUNTERCLAIM

FILED

NOV 25 1985

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

DEFENDANTS' REPLY MEMORANDUM

Hearing Date: Dec. 9, 1985

Hearing Time: 10:00 a.m.

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INTRODUCTION

This matter involves plaintiffs' claim that defendants, Professional Real Estate Investors, Inc., and Kenneth Ir-

win (collectively "Irwin") violated plaintiffs' copyrights. The basic issue is whether members and guests at Irwin's La Mancha Private Club and Villas, when viewing videodiscs in a villa rented from La Mancha, are publicly performing plaintiffs' copyrighted motion pictures. The parties have filed cross-motions for summary judgment and memoranda in support of their motions. This memorandum is submitted by Irwin to respond briefly to the contentions raised by plaintiffs in their memorandum opposing Irwin's summary judgment motion.

Plaintiffs' claim is based on the assertion that the entire La Mancha facility is a "public place" and, therefore, the fact that the videodiscs are viewed only by a family in the privacy of the villa they have rented at La Mancha is irrelevant. This argument, however, is contrary to the plain meaning of the Copyright Act, the legislative history of the Act, the relevant case law, and the facts. The villas at La Mancha are private. When a family views a videodisc in their villa, they are not "publicly performing" the video. Moreover, plaintiffs' contention that the rented villas at La Mancha are public places is directly contrary to plaintiffs' position in other cases that rental accommodations are not public.

Plaintiffs' motion is also defective because it raises fact issues that are in dispute. Despite plaintiffs' many concessions, there remain issues concerning whether La Mancha is a private club, what copyrights are owned by plaintiffs, the appropriate measure of damages, if any, and plaintiffs' misuse of their copyrights. Furthermore, plaintiffs' recent reply memorandum raised an additional issue of fact. These issues preclude summary judgment for plaintiffs. In contrast, these issues are not raised by Irwin's cross-motion.

ARGUMENTS

I.

VIEWINGS OF VIDEODISCS IN THE VILLAS AT LA MANCHA ARE NOT OPEN TO THE PUBLIC

Plaintiffs can prevail on their copyright claims only if viewing videodiscs by members and guests in the privacy of the villas they rent at La Mancha is considered a public performance. The fact that the villas are private is beyond dispute and not seriously contested by plaintiffs. Rather, plaintiffs argue that the entire La Mancha facility and all the villas are a public place because the villas are "open" to the public until they are rented to a member or guest. Plaintiffs attempt to focus on the fact that the general public can, within certain limits, rent accommodations at La Mancha. Contending that Irwin "concedes" this point, plaintiffs claim this factor renders the facilities public, and any viewing of videodiscs a public performance. *Reply Memorandum of Points and Authorities in Support of Plaintiffs' Motion for Summary Judgment and in Opposition to Defendants' Cross-Motion* at 1 (hereinafter "*Plaintiffs' Reply Memo.*").

Plaintiffs identify two criteria that they claim indicate that La Mancha is "open to the public:" (1) advertising the availability of La Mancha to the general public; and (2) renting accommodations to members of the general public. *Plaintiffs' Reply Memo.* at 1. Under these factors, a wide variety of private facilities, such as condominiums, apartments, hotels, and office buildings, would become "public." For example, condominiums and apartments are advertised when they are available for rent and any member of the general public can rent the condominium or apartment. Judged by plaintiffs' criteria, the condominium and apartment are open to the public and viewing videos in these homes would be a public performance. Yet, plaintiffs concede that such facilities are private. *Plaintiffs' Reply Memo.* at 7 n.4. There must, therefore, be some

additional factor that informs the decision whether a place is "open to the public" under the Copyright Law.

Plaintiffs claim this factor is the length of time the accommodations are rented. *Plaintiffs' Reply Memo.* at 7-8. Plaintiffs, however, fail to identify the dividing point between short term "public" rentals and long term "private" rentals. Instead, plaintiffs attempt to distinguish La Mancha from vacation homes, which plaintiffs apparently concede are private accommodations, by arguing that "vacation homes are not rented and re-rented . . . every few days as are La Mancha's villas." *Plaintiffs' Reply Memo.* at 7. The fact, however, is that La Mancha's villas are not rented "every few days." There is usually a three-day minimum and the average rental is 5.6 days. *Declaration of Kenneth F. Irwin* at ¶ 8 (hereinafter "*Irwin Decl.*"). Moreover, villas at La Mancha are frequently rented by the week, the month, and even for the entire winter season of three to four months. *Supplemental Declaration of Kenneth F. Irwin* ¶ 1 (hereinafter "*Irwin Supp. Decl.*"). Vacation homes are rented for similar terms, with rentals for a single weekend, a week, or a full season being common.¹ Accordingly, under plaintiffs' length of rental criterion, La Mancha's villas are private.² Moreover, plaintiffs' attempt to distinguish La Mancha's villas from vacation homes on the basis of the length of rental, at best, raises

¹ In fact, the Internal Revenue Code requires that an owner can occupy his or her vacation home for no more than two weeks out of the year in order to obtain tax deductions for that home. 26 U.S.C. § 280A(d)(1)(A) (1982).

² Consideration of other vacation accommodations also leads to the conclusion that La Mancha is not a public place under the Copyright Law. For example, time-share condominiums are typically sold by the week. The condominiums are jointly owned by their weekly tenants.

a factual issue that precludes their motion for summary judgment.³

The principal flaw in plaintiffs' analysis—that the entire facility must be considered in determining whether a place is "public"—is that they fail to consider all of the characteristics of La Mancha. The length of rental is a factor, as is the accessibility of the facility to the general public, but these factors are not alone determinative. Plaintiffs cite the recent decisions in *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 568 F. Supp. 494 (W.D. Pa. 1983), *aff'd on other grounds*, 749 F.2d 154 (3d Cir. 1984), and *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 612 F. Supp. 315 (M.D. Pa. 1985), as the only support for their argument. Although these cases are not necessarily correct, even these cases fail to support plaintiffs' conclusion that viewing videodiscs in villas at La Mancha is a public performance. In both cases, the court determined whether the facilities were places "open to the public." The courts relied heavily on the fact that the *Redd Horne* and *Aveco* facilities were virtually identical in function and in character to movie theaters—traditionally public places.

The courts identified a variety of factors to determine whether the facility as a whole was open to the public: the purpose of the rental; access to the viewing areas; decor and refreshments typical of movie theaters; admission fees; and high turnover rates. In assessing these factors, the court in *Redd Horne* considered whether "the viewing rooms at Maxwell's more closely resemble mini-movie theaters than living rooms away from home." 568 F. Supp. at 500. Similarly, the court in *Aveco*, at plaintiffs' suggestion, noted that it was the dissimilarity of performances at Nickelodeon from home viewing that made the place "public":

³ See Argument III.A, *infra*, for a discussion of this new factual issue raised by plaintiffs.

A person's home is not rented out in two hour shifts to afford separate groups of persons the opportunity to see a variety of motion pictures.

612 F. Supp. at 320. In both cases, the courts found the facilities to be "mini-movie theaters [and not] living rooms away from home."

Whereas the facilities in *Aveco* and *Redd Horne* were used only for viewing movies, accommodations at La Mancha are rented specifically for use as vacation homes. In particular, La Mancha's members and guests enjoy all of the types of activities one can engage in at a vacation home, such as swimming, playing tennis, relaxing, reading, and similar activities. Access to the grounds of the La Mancha facility is limited to members and guests much like access is limited to the common areas of an exclusive condominium or apartment building. The La Mancha facility is surrounded by locked gates to ensure a degree of privacy characteristic of a residential facility, in contrast to the traffic and bustle of a place "open to the public." The turnover rate of the villas at La Mancha is measured in days, weeks, or months, not hours. The decor of La Mancha's villas is identical to that of fine homes. The rental rates of \$125 to \$720 per day are distinctly unlike the admission charge for a theater.

La Mancha's villas are distinctly home-like and are not public. The villas feature all of the comforts of home: living rooms, dining rooms, fully-equipped kitchens, bedrooms, and bathrooms. It is precisely because La Mancha's facilities have so much in common with homes that they are private. Even under plaintiffs' analysis, when the La Mancha facility as a whole is examined, it much more closely resembles a private residential facility than a "public" place.

These same plaintiffs have already conceded, in the *Aveco* case, that hotel rooms, dormitory rooms, and apartments "are not open to the public . . ." *Plaintiffs' Brief*

in Opposition to Defendants' Cross-Motion for Summary Judgment and in Reply-Support of Plaintiffs' Motion for Summary Judgment in Columbia Pictures Indus., Inc. v. Aveco, Inc., at 7.⁴ In *Aveco*, 612 F. Supp. 315, the defendants set forth three hypotheticals involving: "(1) a college student who takes a video cassette to his room in a dormitory [sic], (2) an individual who lives in an apartment building and takes a video cassette to a suite of rooms that he has rented in the building, and (3) a salesman who takes the video cassette to a hotel room he has rented for a few days." *Brief of Defendants in Opposition to Plaintiffs' Motion for Partial Summary Judgment and in Support of Defendants' Conditional Cross-Motion for Summary Judgment* at 18. The *Aveco* defendants used these hypotheticals to illustrate that their facility was not public. In particular, defendants focused on a salesman who takes the video cassettes to a hotel room that he has rented. In response, plaintiffs argued that the *Aveco* facility was not like the hypothetical. Plaintiffs, however, expressly conceded that "it is clear that such places are not open to the public." *Accord* 2 M. Nimmer, Nimmer on Copyright § 8.18 [C][1][d] (1985) (a performance in a hotel room "is not a public performance"). Since viewing videodiscs in a hotel room are is not a public performance, viewing videodiscs in the villas at La Mancha, which are typically rented for even longer periods of time than a hotel room, is also not a public performance.⁵

⁴ Except for CBS, all the plaintiffs in the present case were also plaintiffs in the *Aveco* case.

⁵ Plaintiffs also argue that the privacy and Fourth Amendment cases, cited in Irwin's supporting memorandum, that hold hotel rooms to be private, are not applicable. Irwin, contrary to plaintiffs' interpretation, did not argue that these cases controlled the interpretation of the Copyright Act. Rather, these cases provide guidance to the court concerning the private nature of La Mancha, particularly with respect to this case which raises an issue of first impression.

Plaintiffs attempt to avoid the decisions in *Redd Horne* and *Aveco* by arguing that the courts did not require that a place be similar to a movie theater in order to be considered open to the public. *Plaintiffs' Reply Memo.* at 5-6. Irwin, however, is not arguing that only movie theaters are public places; nor is Irwin arguing that only home use is private. Rather, the courts in *Redd Horne* and *Aveco* used the dichotomy of theater-like use versus home-like use because these are clear examples of public and private uses. By comparing the various features of defendants' facilities with these two examples, the court could determine whether the facilities in those cases were public rather than private.

These decisions, particularly *Aveco*, have been criticized by legal scholars. In a *New York Times* interview, Professor David Lange, a professor of law at Duke University and a noted author and expert on copyright law, stated that the issue of public performance in the *Redd Horne* and *Aveco* cases was "a very close call that is by no means black and white." *N.Y. Times*, Aug. 20, 1984, at D1, col. 3 (attached hereto as Exhibit 16). Professor Lange went on to note that the operation of the "Nickelodeon" stores at issue in *Aveco* was different from that of *Redd Horne's* "Maxwell's" stores:

The distinction between the two operations could be important in the courts' ultimate judgment. In the case of the Nickelodeon, Professor Lange of Duke University said he thinks the situation is "shaded on the side of the renter" because the showing appears to be a private performance. But at Maxwell's, he said, "the line has been crossed" because of the transmission by the employee. "The transaction appears to call the theater more to mind."

Id.; accord 2 M. Nimmer, *Nimmer on Copyright* § 8.14[C][1] (the court's conclusion in *Redd Horne*, that performances

occurring in viewing rooms at Maxwell's are public because the facility was "open to all members of the public," is questionable). Plaintiffs' only legal support for their novel theory of public performance, therefore, is of questionable authority. Nonetheless, even this authority fails to support plaintiffs' claims.

There are certainly non-home-like uses that are private. Consider, for example, performances in government and business offices. Congress expressly recognized that viewing movies at "meetings of business or governmental personnel" would not be considered a public performance. H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659, 5677-78. Congress also recognized that private viewing could occur at "clubs, lodges, factories, summer camps and schools." *Id.* Accordingly, the spectrum of what is included in private use runs from home use to clubs and lodges, to schools, and at least to factories and office buildings. Apparently conceding this point, plaintiffs failed to even argue that private use does not encompass this broad spectrum of facilities. Accordingly, La Mancha's facilities, which are much more like a home than an office, falls well on the private side of the private-public dichotomy.*

* Plaintiffs also argue that Irwin misinterpreted the statute which defines public performance as occurring "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." 17 U.S.C. § 101 (1982). Irwin does not argue that the two criteria in the statute are not distinct. Rather, the second criterion provides guidance on what is a public place. The normal audience that attends a facility is the principal factor in determining whether a facility is public or private, and the statute itself provides a definition of a private audience. Obviously, if only "a normal circle of a family and its social acquaintances" usually gather at a particular place, it is private. A place is a public place precisely because normally more than a "family and its social acquaintances" gather there. Accord 2 M. Nimmer, *Nimmer on Copyright* § 8.18[C][1][d] (1985) (performances in private lodgings of guests or residents at a hotel, apartment house, or similar establishment

Finally, plaintiffs argue that the courts in *Redd Horne* and *Aveco* used the movie theater-home use analogy "merely to illustrate the public nature of [the *Redd Horne* and *Aveco*] defendants' facilities." *Plaintiffs' Reply Memo.* at 5-6 (emphasis in original). Applying this standard, the private nature of the facilities in *Redd Horne* and *Aveco* were "illustrated" by their similarities to movie theaters.

II.

PLAINTIFFS' FIRST SALE ARGUMENT IS INCORRECT

Plaintiffs fail to understand Irwin's discussion of the first sale doctrine. Irwin never argued that the first sale doctrine insulates otherwise public performances from liability. Rather, "the first sale doctrine gives the defendants the right to rent the videodiscs they have purchased from the plaintiffs." *Plaintiffs' Reply Memo.* at 12. As set forth in Irwin's memorandum, the issues of first sale and public performances are separate and must be analyzed separately. It is plaintiffs who argued that the first sale doctrine does not apply. The doctrine is applicable. It secures Irwin's right to rent videodiscs since plaintiffs have already been paid a royalty on each disc. It is, however, independent of the public performance issue.

III.

PLAINTIFFS HAVE RAISED A NUMBER OF GENUINE ISSUES OF FACT, WHICH ARE MATERIAL AND PREVENT GRANT OF PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT

There remain several genuine issues of material fact that preclude plaintiffs' motion.⁷ Plaintiffs recognize that

are not public performances because they are normally attended only by a normal circle of a family and its social acquaintances).

The simple fact that the parties have already devoted 32 pages of pleadings to the question highlights the existence of factual issues.

the existence of a genuine issue of material fact precludes a summary judgment motion. *Plaintiffs' Reply Memo.* at 14.* Plaintiffs concede, on the other hand, there are no genuine issues of material fact that would prevent the court from granting Irwin's motion.

A. Plaintiffs Have Raised Another Factual Issue in Their Reply Memorandum.

In their attempt to distinguish rental of villas at La Mancha from rentals of vacation homes, plaintiffs have raised the additional issue of the average rental term of a vacation home. This issue is highly material in that plaintiffs concede that vacation homes are not public because they are rented for "long periods of time." *Plaintiffs' Reply Memo.* at 7. The villas at La Mancha, however, are rented for equally long periods. The average stay at La Mancha during 1984 was approximately 5.6 days and rentals of the villas at La Mancha for weeks and even months are common. *Irwin Supp. Decl.* ¶ 1. Although common sense would dictate that La Mancha's rental term is identical to rental of vacation homes, plaintiffs have raised another factual issue. This "term of rental" issue is a key factor in plaintiffs' argument: according to plaintiffs, La Mancha is a public place because it rents for short periods as opposed to the long periods of rentals for admittedly private vacation homes. Exactly what constitutes a "long"

* Plaintiffs appear to have conceded certain factual issues. For example, in their memorandum in support of their motion for summary judgment, plaintiffs raise the issue whether Irwin has "extensively advertised La Mancha in several prominent national and regional magazines." *Plaintiffs' Memorandum of Points and Authorities in Support of Motion for Summary Judgment* at 8. Irwin, in its memorandum in opposition (at 23-24), specifically stated that the advertising issue was irrelevant. Irwin, however, was nonetheless compelled to respond because, not only had plaintiffs asserted this irrelevant fact in their memorandum but they had also included it in their proposed findings of fact. In *Plaintiffs' Reply Memorandum*, they concede that this issue is irrelevant.

and a "short" rental is an issue of fact that must be resolved under plaintiffs' theory of liability.

B. La Mancha is a Private Club and, Hence, Not a Place Open to the Public.

The issue whether La Mancha is a private club or a hotel is material to plaintiffs' motion. As the legislative history of the Copyright Act clearly establishes, if La Mancha is a private club, viewings of videodiscs at La Mancha are public performances *only* if they are attended by a "substantial number of persons outside a normal circle of a family and its social acquaintances." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 64, reprinted in 1976 U.S. Cong. & Ad. NEWS 5659, 5677-78; 17 U.S.C. § 101 (1982). Since performances at La Mancha are attended only by a normal circle of a family and its social acquaintances, if La Mancha is determined to be a private club, viewing of videodiscs at La Mancha is not a public performance.

Plaintiff contends that the issue is irrelevant because it is "undisputed that La Mancha, including its guest villas, is open to the public." *Plaintiffs' Reply Memo.* at 15. Plaintiffs, however, are simply attempting to refute the fact that La Mancha is a private club. The facts do not support their contention. La Mancha's business license (a copy of which is attached hereto as Exhibit 17) reflects the fact that La Mancha is a private club.

The court's decision in *Lerner v. Club Wander-In, Inc.*, 174 F. Supp. 731 (D. Mass. 1959), the case principally relied upon by plaintiffs, does not detract from the explicit legislative history in this regard, nor could it.⁹ In *Lerner*, the court did not reach the question whether a performance strictly limited to a family was public. *Id.* at 732. Rather, the court held that performances at Club Wander-

⁹ The *Lerner* case was decided under the 1909 Copyright Act, almost 20 years before Congress' most recent revision of the Copyright Act in 1978.

In were public because they were in the public areas of the club and were attended by more than the normal circle of a family and its social acquaintances. In contrast, videodiscs are viewed at La Mancha only with a guest's villa. Performances at La Mancha are attended only by a normal circle of a family and its social acquaintances. Hence, in order to grant plaintiffs' motion, the court must first determine that La Mancha is not a semi-public place such as a private club. That, however, raises a genuine issue of fact that cannot be resolved on plaintiffs' motion.

C. Copyright Ownership is Still a Contested Issue.

Absent proof of registration and either ownership or recordation of exclusive assignments for each of the copyrighted works, plaintiffs lack standing to claim infringement. 17 U.S.C. §§ 205(d), 411, 412 (1982); *Swarovski America Ltd. v. Silver Deer Ltd.*, 537 F. Supp. 1201 (D. Colo. 1982) (right must be exclusive); *Rusin v. Sunrise Management, Inc.*, 506 F. Supp. 1284 (D. Colo. 1981). Prior to filing their motion for summary judgment, plaintiffs failed to produce copyright registrations and/or recorded exclusive assignments for 27 of the copyrighted works at issue despite repeated requests to do so during discovery.¹⁰ Even accepting plaintiffs' untimely submissions with their motion for summary judgment, ownership of the exclusive right to authorize public performances of 16 of the works has still not been documented. See Exhibit 18. At this time,

¹⁰ Plaintiffs have been under a continuing obligation to produce these documents since February 7, 1985. Moreover, plaintiffs were also required to produce these documents at the Early Meeting of Counsel, pursuant to Local Rule 6, and at the Pretrial Meeting of Counsel, pursuant to Local Rule 9. Yet, plaintiffs have failed to produce these ownership documents. Those documents were still trickling in on the week that Irwin's Reply Brief was due. Irwin has not had an adequate opportunity to review these documents. Such production is unfair and violates all notions of due process. Moreover, Irwin has not waived this defect in plaintiffs' production and the documents should be excluded from evidence at least for the summary judgment motions.

plaintiffs have withdrawn only eight of those works, *Plaintiffs' Reply Memo.* at 18 n.13, leaving eight contested.

Plaintiffs in their Reply Memorandum attempt to argue that it is somehow Irwin's fault that these documents were not produced. Quite the contrary, it is plaintiffs who must make out a prima facie case. Irwin is under no obligation to drag this information out of plaintiffs, although Irwin has repeatedly, albeit unsuccessfully, attempted to secure the information since discovery commenced.

D. Injury and Damages Remain in Issue.

Plaintiffs incorrectly contend that their election of minimum statutory damages of \$250.00 mitigates the injury issue. This contention, however, is ill-founded for two reasons: First, plaintiffs do not have an unequivocal right to elect statutory damages; and second, Irwin's good faith requires that statutory damages be reduced below \$250.00 per infringement.

Plaintiffs are not entitled to "elect" statutory damages. Where damages and profits can be proven, a copyright owner is not entitled to statutory damages but must accept actual damages plus profits, even if the amount of such damages and profits is *de minimus*. *Shapiro, Bernstein & Co. v. 4636 S. Vermont Avenue, Inc.*, 367 F.2d 236 (9th Cir. 1966). Statutory damages are available only if there is no evidence of the amount of damages or if it is difficult or impossible to prove damages or discover profits earned by the alleged infringer. *Shapiro, Bernstein & Co. v. Bleeker*, 243 F. Supp. 999 (S.D. Cal. 1965), *modified*, 367 F.2d 236 (9th Cir. 1966). Statutory damages are not available where damages and profits can be established because an award of statutory damages is in lieu of actual damages and profits. *Id.* It is not an award premised on notions of penalty or punishment. *Box Scaggs Music v. KND Corp.*, 491 F. Supp. 908 (D. Conn. 1980). Plaintiffs can establish a fair royalty from their past experience. This royalty would be the proper measure of their damages, if any.

Plaintiffs incorrectly assert that Irwin concedes that whether plaintiffs have been damaged is irrelevant. Rather, Irwin has agreed only that further discovery on the injury issue is unnecessary. It is unnecessary only because plaintiffs' injury, if any, is limited to Irwin's profits and a reasonable royalty for each infringement. Irwin has made no profits on the rental of videodiscs at La Mancha. *Irwin Supp. Decl.* ¶ 2. A reasonable royalty would be on the order of cents per infringement, well below the \$250 minimum statutory damages amount.

Second, even were the court to conclude that plaintiffs are entitled to statutory damages, plaintiffs would not be entitled to \$250.00 per infringement. The copyright law provides that:

In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court at its discretion may reduce the award of statutory damages to a sum of not less than \$100.00.

17 U.S.C. § 504(c)(2) (1982). Plaintiffs argue that as a matter of law, the cease and desist letter they sent Irwin constituted "reason to believe" that Irwin was infringing.

The authorities cited by plaintiffs do not establish that a cease and desist letter constitutes "reason to believe" that Irwin's acts constituted copyright infringement. Both *Davis v. E.I. DuPont de Nemours & Co.*, 249 F. Supp. 329 (S.D.N.Y. 1966), and *Pye v. Mitchell*, 574 F.2d 476 (9th Cir. 1978), involved the \$5000 upper limitation on statutory damages for willful infringement. In neither case did the court address or decide that issuance of the cease and desist letter triggers minimum statutory damages of \$250.00 and prevents a reduction of minimum statutory

damages below that level.¹¹ Courts have awarded statutory damages of less than \$250.00 even where the alleged infringer had clear notice of plaintiffs' claim that the activity constituted infringement. In *Frederick Chusid & Co. v. Marshall Leeman & Co.*, 326 F. Supp. 1043 (S.D.N.Y. 1971), the court awarded statutory damages of only \$100 in spite of the fact that defendants were former employees of the copyright owner and were clearly on notice of the existence of plaintiffs' copyrights.

Irwin had no "reason to believe" it was infringing because the issue raised in this case is one of first impression. Irwin "could not know what copyright law required. Before this lawsuit, that issue had not been determined." *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 460 (C.D. Cal. 1979), *modified*, 659 F.2d 963 (9th Cir. 1981), *aff'd*, 464 U.S. 417 (1984). *Redd Horne* and *Aveco* were not decided at the time plaintiffs brought this suit. Moreover, plaintiffs' position in *Aveco*—that hotels are clearly not open to the public—is consistent with Irwin's belief that its activities are not infringing. Finally, under plaintiffs' logic, plaintiffs could destroy an alleged infringer's good faith defense simply by issuing a cease and desist letter, no matter how ill-founded plaintiffs' claims were. Congress specifically established a reasonableness standard rather than the arbitrary standard of receipt of a cease and desist letter as urged by plaintiffs.

E. Plaintiffs' Licensing Agreements Remain in Issue

Although plaintiffs state that they are "willing" to produce some of their licensing agreements, they have failed

¹¹ Moreover, even with respect to the issue that Davis and Pye did address, increased statutory damages for willful infringement, neither case held that issuance of a cease and desist letter alone is sufficient to increase the statutory damages amount.

to do so despite repeated requests by Irwin.¹² Plaintiffs attempt to lay the blame for their continued failure to produce those documents on Irwin. *Plaintiffs' Reply Memo.* at 21-22. Plaintiffs' recitation of the facts, however, is inaccurate. First, plaintiffs claim they have not been able to produce the documents because there is no protective order. To the contrary, Irwin produced documents to plaintiffs under an oral confidentiality agreement and it was agreed that Irwin's counsel would abide by that agreement with respect to plaintiffs' production. Second, plaintiffs imply that Irwin failed to respond to plaintiffs' proposed protective order. In fact, Irwin rewrote the protective order and sent it to plaintiffs on October 3, 1985. Plaintiffs have yet to respond. Third, plaintiffs, the week before Irwin's reply brief was due, offered to produce the RCA license agreement immediately. *See Exhibit 60 to Plaintiffs' Reply Memo.* at 2. When Irwin's counsel called to make the arrangements, however, plaintiffs failed to accommodate even a review of that document.

The documents are relevant to the issue of misuse in addition to the public performance issue. Continued failure of plaintiffs to produce the documents has merely preserved factual issues that may have been resolved by timely production.

IV.

IRWIN'S AFFIRMATIVE DEFENSE OF MISUSE CANNOT BE RESOLVED ON PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT

The defense of misuse is independent from the merits of the public performance issue. Even were the Court to conclude that private viewings at La Mancha constitute

¹² Plaintiffs have been under a continuing obligation to produce their licensing agreements, not just those pertaining to RCA, since February 7, 1985.

public performances, plaintiffs' misuse would prevent the Court from entering judgment for plaintiffs. This principle is well established by the Supreme Court.

A copyright owner will be denied relief against infringement where he has misused his copyrights. *Columbia Pictures Corp. v. Coomer*, 99 F. Supp. 481 (E.D. Ky. 1951); *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948), *appeal dismissed*, 177 F.2d 515 (8th Cir. 1949); *Buck v. Gallagher*, 36 F. Supp. 405 (D. Wash. 1940), *appeal dismissed*, 315 U.S. 780 (1942). The court in *Jensen* specifically held that the copyright owner's misuse bars enforcement of his copyrights, even where that misuse is not so egregious as to rise to the level of an antitrust violation.

The authorities relied on by plaintiffs, to the effect that misuse is not a defense to a copyright action, have been overruled by the Supreme Court. See *Plaintiffs' Reply Memo.* at 30. In *Walker Process Equip., Inc. v. Food Mach. and Chem. Corp.*, 382 U.S. 172 (1965), *cert. denied*, 385 U.S. 824 (1966) (a patentee's violation of Section 2 of Sherman Act precludes enforcement of his patents), the Supreme Court held that violations of the antitrust laws constitute one form of misuse that bars enforcement of intellectual property rights. The Supreme Court has expressly held that principles of misuse developed in patent jurisprudence are equally applicable to copyright. *United States v. Loew's, Inc.*, 371 U.S. 388 (1962). Plaintiffs have failed to address this authority. See *Irwin's Memorandum* at 30 n.10.

Plaintiffs complain that enforcement of the antitrust laws against copyright owners who violate them would discourage copyright owners from pursuing their claims. *Plaintiffs' Reply Memo.* at 31. Logic and Congress, however, compel the conclusion that copyright owners who violate the antitrust laws should indeed be discouraged. See *Berkey Photo, Inc. v. Eastman Kodak Co.*, 603 F.2d 263 (2d Cir. 1979), *cert. denied*, 444 U.S. 1093 (1980);

Columbia Broadcasting Sys. v. American Soc'y of Artist Composers and Producers, 562 F.2d 130 (2d Cir. 1977), *rev'd on other grounds*, 441 U.S. 1 (1979), *cert. denied*, 450 U.S. 970 (1981). A copyright is a statutory grant of a limited form of monopoly. *F.E.L. Publications, Inc. v. Catholic Bishop of Chicago*, 506 F. Supp. 1127, 1136 (N.D. Ill. 1981), *rev'd on other grounds*, 214 U.S.P.Q. 409 (7th Cir.), *cert. denied*, 459 U.S. 859 (1982). That limited monopoly does not give the copyright holder the right to violate other laws with impunity.

Plaintiffs have undertaken a number of acts that constitute misuse and violate the antitrust laws. As explained in Irwin's previous memorandum, plaintiffs have adopted misleading copyright warning labels, restricted their licensed distributors from selling to businesses that rent the videos, and instituted this action and similar actions to prevent development of a video rental market for hotels and resorts. In addition to attempting to discourage others from entering this market, one of plaintiffs' co-conspirators, MGM/Universal Artists, falsely claimed that Irwin had capitulated in this action. These types of activities have been held to constitute antitrust violations. *Cf., Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982), *cert. denied*, 461 U.S. 958 (1983) (prosecution of litigation for an anticompetitive purpose may violate the antitrust laws even where plaintiff has a colorable claim). Having been injured by that conduct, Irwin has standing to redress plaintiffs' misuse and violations of the antitrust laws. The fact that plaintiffs may also have injured many others in addition to Irwin does not mitigate their actions but rather reinforces the argument that they have violated the antitrust laws and misused their copyrights. Plaintiffs are simply incorrect in their argument regarding Irwin's defenses of misuse and violations of the antitrust law. That misuse bars enforcement of plaintiffs' copyrights.

V.

CONCLUSION

Plaintiffs cannot prevail on their summary judgment motion because performances in villas of La Mancha are private and not public performances. In addition, there remain a number of genuine issues of material fact regarding both the public performance and affirmative defense issues. By plaintiffs' own admissions, however, there are no factual disputes concerning Irwin's cross-motion. Accordingly, and for the foregoing reasons, defendants respectfully request that the Court deny plaintiffs' Motion for Summary Judgment and enter summary judgment in favor of dismissing plaintiffs' complaint and awarding costs.

Dated: November 22, 1985

Respectfully submitted,

COLLIER, SHANNON, RILL & SCOTT
JEFFREY W. KING
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MICHAEL J. DENNIS LAW CORPORATION
MICHAEL J. DENNIS
LAURA J. BARNES

By: /s/ JW King

JEFFREY W. KING

Attorneys for Defendants/

Counterclaimants, Professional Real
Estate Investors, Inc. and Kenneth F.
Irwin

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

NO. CV 83-2594 WPG

COLUMBIA PICTURES INDUSTRIES, INC., *et al.*,

Plaintiffs,

vs.

PROFESSIONAL REAL ESTATE INVESTORS, INC., and
KENNETH F. IRWIN,

Defendants.

AND RELATED COUNTERCLAIMS

SECOND DECLARATION OF MAREN CHRISTENSEN IN
SUPPORT OF PLAINTIFFS' MOTION FOR SUMMARY
JUDGMENT

I, Maren Christensen, declare and say as follows:

1. I am an attorney at law duly licensed to practice in the State of California and before this Court and am a partner in the firm of Rosenfeld, Meyer & Susman, attorneys of record for plaintiffs herein.

2. By letter of November 13, 1985, I transmitted to Jeffrey King, attorney for defendants, documents regarding the recordation in the United States Copyright Office of assignments to the various plaintiffs of the exclusive rights to distribute, exhibit and exploit the following motion pictures:

In Praise of Older Women

Watership Down

The Shootist

Urban Cowboy

A copy of such letter and the enclosed documents are attached hereto as Exhibit "A".

3. Certificates of copyright registration listing Twentieth Century-Fox Film Corporation as a copyright claimant (i.e., owner) for the following motion pictures appear as Exhibit "A" to the Declaration of George Krieiger made in support of Plaintiffs' Motion for Summary Judgment:

Butch Cassidy and the Sundance Kid

Hello Dolly

Mash

4. A certificate of copyright registration listing Warner Bros. Inc. as a copyright claimant of the motion picture entitled "Dirty Harry" appears as Exhibit "A" to the Declaration of Bernard R. Sorkin made in support of Plaintiffs' Motion for Summary Judgment.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 6th day of December, 1985 at Beverly Hills, California.

Maren Christensen
Maren Christensen

**LAW OFFICES
ROSENFELD, MEYER & SUSMAN
9601 WILSHIRE BOULEVARD
BEVERLY HILLS, CALIFORNIA 90210-5288**

November 13, 1985

Mr. Jeffrey W. King
Collier, Shannon, Rill & Scott
105 Thomas Jefferson Street, N.W.
Washington, D.C. 20007

Re: Columbia Pictures, etc., et al. v. Professional Real
Estate Investors, etc., et al.
U.S.D.C Case No. CV 83-2594 WPG

Dear Jeffrey:

Enclosed are documents evidencing the recordation of transfer documents regarding the following titles:

"In Praise of Older Women"
"Watership Down"
"Urban Cowboy"
"The Shootist"

In addition, as you requested in your November 5, 1985 letter, I will send under separate cover not later than Friday November 15 the documents responsive to your request for production of documents that plaintiffs have previously agreed to produce and that are not confidential.

Finally, I have still not received a response from you to my November 6, 1985 letter regarding the RCA license agreements. Accordingly, I repeat my request in that letter that you contact me at your earliest convenience with regard to resolving our differences over the protective order or entering into an interim attorneys' only protective order in order to review the unredacted RCA license agreements. I can have these available to you within

twenty-four hours of your agreement to such a protective order.

Upon agreement to an appropriate protective order regarding the RCA agreements we will produce the RCA agreements following the review procedures you previously suggested to me, to wit: (1) an attorney representing plaintiffs will accompany you; (2) you will take no notes, but will be able to copy any provisions regarding home-use restrictions and any provisions that support a contention that the agreements authorize the public performance of plaintiffs' motion pictures; (3) if you and plaintiffs' attorney disagree on whether a provision can be copied the dispute will be referred to Judge Gray.

The foregoing procedure will allow you to satisfy yourself and your client that the RCA license agreements contain no authorization for the public performance of any of plaintiffs' motion pictures.

I look forward to hearing from you.

Sincerely,

Maren Christensen
Maren Christensen

MC/BR
Enclosures

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT COURT**

HONORABLE WILLIAM P. GRAY, JUDGE PRESIDING

NO. CV 83-2594-WPG

**COLUMBIA PICTURES INDUSTRIES, ET AL.
PLAINTIFFS.**

VS.

**PROFESSIONAL REAL ESTATE INVESTORS, ET AL.
DEFENDANTS.**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

**LOS ANGELES, CALIFORNIA
MONDAY, DECEMBER 19, 1985**

[3] LOS ANGELES, CA; MONDAY, DECEMBER 16, 1985

THE CLERK: NUMBER 6 ON THE CALENDAR, CIVIL 83-2594. COLUMBIA PICTURES INDUSTRIES, ET AL. COUNSEL, PLEASE STATE YOUR APPEARANCES.

MR. KROFT: STEVE KROFT AND MAREN CHRISTANSON FOR THE MOVING PARTIES.

THE COURT: ALL RIGHT. MR. KROFT.

AND WHO DO WE HAVE ON THE OTHER SIDE?

MR. KING: JEFFREY KING, AND I AM HERE WITH MY CO-COUNSEL PATRICK J. COYNE AND LAURA BARNS. AND WE REPRESENT TWO OF THE DEFENDANTS PROFESSIONAL REAL ESTATE INVESTORS AND PRINCIPAL OWNER KENNETH IRWIN.

THE COURT: MR. KROFT, I'VE THOUGHT A LOT ABOUT THIS CASE AND MY PRESENT ATTITUDE IS THAT I THINK YOU ARE GOING TO LOOSE. LET ME TRY A FEW

HYPOTHETICALS AND THEY ARE STRICTLY HYPOTHETICAL.

FIRST, I OWN A HOME IN PASADENA AND I HAVE A VCR.

— MR. KROFT: THAT IS A SIMILAR TYPE OF PRODUCT, YOUR HONOR. WE ARE TALKING ABOUT DISC PLAYERS HERE.

THE COURT: ANYWAY, I OWN A DISC PLAYER, AND I GO TO A STORE DOWN IN PASADENA AND RENT A TAPE OF A MOTION PICTURE FOR ME TO TAKE HOME, AND I RENT IT FOR TWO NIGHTS. [4] THE FIRST NIGHT MY WIFE AND I LOOKED AT IT BY OURSELVES. NO PROBLEM.

MR. KROFT: NO PROBLEM.

THE COURT: THE NEXT NIGHT, WE LIKED IT SO MUCH, THAT WE INVITED OUR NEXT DOOR NEIGHBOR AND HIS WIFE TO COME OVER TO SEE IT, AND THEY DO. ANY PROBLEM?

MR. KROFT: NO PROBLEM.

THE COURT: LAST, IN SEPTEMBER I SAT FOR TWO MONTHS IN HAWAII, AND I RENTED A CONDOMINIUM FOR THAT TWO MONTHS AT THE ILLIKAI HOTEL, AND I'D TOOK MY OWN VCR WITH ME. I WENT ACROSS THE STREET AND RENTED A MOTION PICTURE DISC AND I PLAYED IT FOR MYSELF AND MY WIFE.

ANY PROBLEM?

MR. KROFT: YOUR HONOR, THAT QUESTION IS NOT ANSWERED QUITE SO SIMPLY. THERE IS NO PRACTICAL PROBLEM IF YOU WANTED TO LOOK AT THE TECHNICAL LEGALITIES OF THAT. I BELIEVE THAT THAT PERFORMANCE TOOK PLACE IN A PUBLIC PLACE.

THE COURT: PERFORMANCE TOOK PLACE? I RENTED THAT CONDOMINIUM FOR TWO MONTHS.

MR. KROFT: YES, YOUR HONOR.

THE COURT: NOBODY WAS ENTITLED TO COME IN THERE EXCEPT ME.

MR. KROFT: I ASSUME THAT THAT CONDOMINIUM WAS AVAILABLE BY THE DAY OR TWO DAYS, AND SO FORTH. SO, YES, [5] YOUR HONOR, I BELIEVE THAT WOULD BE A PUBLIC PERFORMANCE, AS I SAY.

THE COURT: REALLY?

MR. KROFT: AS I SAY, AS A PRACTICAL MATTER THERE WAS NO PROBLEM. AND THE REASON IT IS NO PROBLEM—AND I CAN UNDERSTAND THE COURT'S CONCERN ABOUT THAT HYPOTHETICAL BECAUSE I THINK THE COURT IS WORRIED ABOUT PEOPLE SUCH AS ANYBODY WHO WOULD BE VIEWING SOMETHING IN A ROOM PERHAPS BEING EXPOSED TO LIABILITY. I THINK THAT IS WHERE YOU ARE GOING.

THE COURT: BEING EXPOSED TO LIABILITY.

MR. KROFT: YOU WOULD NOT BE EXPOSED TO LIABILITY BECAUSE NOBODY WOULD EVER KNOW ABOUT THAT VIEWING, YOUR HONOR.

THE COURT: NO. I AM TELLING YOU ABOUT IT.

MR. KROFT: I UNDERSTAND.

THE COURT: THE THING THAT I DON'T UNDERSTAND IS, IF IT IS ALREADY IN MY CONDOMINIUM IN PASADENA, WHY ISN'T IT ALL RIGHT TO DO EXACTLY THE SAME THING IN A CONDOMINIUM THAT I HAVE RENTED FOR TWO MONTHS IN HAWAII?

MR. KROFT: YOUR HONOR, NOBODY IS EVER GOING TO CHALLENGE THE INDIVIDUAL FOR DOING THAT. YOU SAY, "WHY ISN'T THAT ALL RIGHT?" NOBODY IS GOING TO CHALLENGE THE INDIVIDUAL.

THE COURT: WOULD YOU HAVE A RIGHT TO CHALLENGE?

[6] IF YOU DON'T HAVE A RIGHT TO CHALLENGE ME IN PASADENA, WHY DO YOU HAVE A RIGHT TO CHALLENGE ME IN HAWAII WHERE I RENTED A PLACE FOR TWO MONTHS?

MR. KROFT: IF THIS CONDOMINIUM IS AVAILABLE BY THE DAY—

THE COURT: I DON'T KNOW WHETHER IT IS NOR NOT. I RENTED IT FOR TWO MONTHS.

OKAY. LET'S TAKE THE NEXT ONE: IN JANUARY, I AM GOING TO HAVE TO GO BACK TO HAWAII, AND I AM GOING BY MYSELF THIS TIME, AND I AM ONLY GOING TO BE THERE FOR THREE NIGHTS, AND I RENTED A HOTEL ROOM IN THE SAME ILLIKAI. RIGHT NEXT DOOR. LET'S ASSUME, TO THE CONDOMINIUM NUMBER ON THE 21ST FLOOR THAT I HAD IN SEPTEMBER. THE HOTEL RENTS ROOMS AND THEY ALSO HAVE CONDOMINIUMS THAT OTHER PEOPLE OWN, BUT THIS HAPPENS TO BE RIGHT NEXT DOOR, AND I RENT A VCR ACROSS THE STREET AND I RENT A TAPE ACROSS THE STREET. I BRING MY OWN VCR. I LOOK AT IT ALL BY MYSELF. ANY PROBLEM?

MR. KROFT: YOUR HONOR, THE WAY YOU POSE THAT QUESTION, THE ANSWER IS NO PROBLEM ABOUT WHAT YOU ARE DOING.

THE COURT: AM I JUSTIFY IN LAW? HAS ANYBODY VIOLATED THE LAW OR CREATED ANY JUSTIFIABLE CLAIM?

MR. KROFT: YOUR HONOR, MAY I ANSWER THAT WITH AN EXPLANATION? BECAUSE THE EXPLANATIONS ARE VERY [7] IMPORTANT HERE.

THE ANSWER IS: I BELIEVE TECHNICALLY THAT MAY HAVE BEEN AN INFRINGEMENT, THOUGH THERE IS NO COURT THAT HAS RULED ON THAT, BUT I HAVE TO GIVE AN EXPLANATION.

THE COURT: GO AHEAD.

MR. KROFT: WHAT YOU ARE DOING THERE ISN'T FOR ANY COMMERCIAL PURPOSE, AND THE RENTAL STORE, WHICH IS MORE ANALOGOUS TO WHOM WE ARE FOCUSING ON, THE PERSON WHO HAS FURNISHED THE TAPE DOESN'T KNOW THAT YOU ARE TAKING THAT TAPE TO A PUBLIC PLACE.

THE COURT: SURE THEY ARE. I AM TELLING THEM.

WHAT DID YOU MEAN A PUBLIC PLACE? IS MY CONDOMINIUM A PUBLIC PLACE?

MR. KROFT: YOUR CONDOMINIUM IN PASADENA ISN'T A PUBLIC PLACE.

THE COURT: NO, NO. IN HAWAII. MY TWO MONTHS CONDOMINIUM.

MR. KROFT: IF IT IS AVAILABLE FOR THE NIGHT, I DO NOT BELIEVE THAT—

THE COURT: I HAD A LEASE FOR TWO MONTHS.

MR. KROFT: I UNDERSTAND, YOUR HONOR. THE EXPLANATION I WAS ABOUT TO GIVE YOU, THE CONTEXT WHICH I THINK THIS MUST BE VIEWED IS TO GET AWAY FROM—I UNDERSTAND THE COURT'S HYPOTHETICALS, BUT I THINK SOME OF THE DANGERS SOMETIME IN VIEWING CASES THAT ARE IFY—I [8] DON'T WANT TO SAY AT THE EDGE, BUT CERTAINLY HAVEN'T BEEN RULED UPON BEFORE, BUT CERTAINLY HYPOTHETICALS THAT LEAD YOU IN THE WRONG DIRECTION.

WHAT IS GOING ON HERE, THIS MOVIE PROGRAM THAT LA MANCHA RUNS AS A COMMERCIAL ENTERPRISE OPERATED FOR THE ENTERTAINMENT OF PAYING GUESTS FOR THE COMMERCIAL ESTABLISHMENT, AND I JUST CAN NOT IMAGINE, YOUR HONOR, THAT IF YOU LOOK AT IT IN THAT LIGHT, YOU WOULD ALLOW ANYONE TO OPERATE AN UNAUTHORIZED, ONSITE, COMMERCIAL VIEWING SERVICE AT A PLACE THAT IS MADE AVAILABLE TO ANY MEMBER OF THE PUBLIC THAT WANTS TO COME THERE AND STAY THERE AND AVAIL HIMSELF OF THE OPPORTUNITY TO USE THIS COMMERCIAL VIEWING SERVICE, BECAUSE THIS IS A COMMERCIAL VIEWING SERVICE AND THAT IS WHAT WE ARE FOCUSING ON.

THE COURT: THE RENTAL PLACE ACROSS THE STREET IS PARTICIPATING IN A COMMERCIAL VIEWING

SERVICE; HE RENTS ME A TAPE. HE DOESN'T KNOW WHAT I AM GOING TO DO WITH IT.

MR. KROFT: THAT'S RIGHT.

THE COURT: BUT, IN MY CASE, I AM TAKING IT TO MY TWO MONTHS CONDOMINIUM ROOM TO LOOK AT IT, JUST MY WIFE AND I, EXACTLY IN THE SAME MANNER THAT WE DO IN PASADENA.

NOW, WHAT IS THE PUBLIC ASPECT THERE?

MR. KROFT: IT IS A PLACE OPEN TO THE PUBLIC.

THE COURT: NOT MY ROOM ISN'T.

MR. KROFT: YOUR HONOR, LET ME GET AT IT THIS [9] WAY: YOUR ROOM IS PROBABLY BEING OFFERED FOR RENTAL, NOT WHILE YOU ARE IN IT NOBODY IS GOING TO COME IN IT, BUT IT IS BEING OFFERED FOR RENTAL BY THE HOTEL BY THE NEXT GUEST. IT IS PROBABLY BEING RESERVED BY THE HOTEL FOR THE NEXT GUEST.

THE COURT: SURE.

MR. KROFT: THAT PLACE ISN'T OFF LIMITS FOR COMMERCE BY THE HOTEL. IT IS JUST CLOSED TO ENTRY BY ANYBODY ELSE UNTIL YOU LEAVE. IT IS STILL BEING MADE AVAILABLE TO THE PUBLIC.

THE COURT: THE HOTEL DOESN'T OWN THIS. I DON'T KNOW HOW THEY WORK IT, BUT A PRIVATE PERSON OWNS THE CONDOMINIUM IN THE HOTEL. I DIDN'T KNOW IT BEFORE, IN FACT, I HAD A BAD TIME WITH THE TELEPHONES AND THE MAIL BECAUSE THE HOTEL WOULDN'T EVEN ACCEPT MAIL OR TELEPHONE CALLS FOR ME. AND WE WILL STICK WITH THIS HYPOTHETICAL, BUT I AM COMING TO A TOUGHER ONE NEXT.

IT IS OWNED BY A PRIVATE PERSON. IT IS LEASED THROUGH A DIFFERENT AGENCY.

MR. KROFT: YOUR HONOR, IF THAT PRIVATE PERSON DOESN'T USE THAT CONDOMINIUM FOR HIM OR HER-

SELF AND DOES NOTHING BUT RENT IT TO MEMBERS OF THE PUBLIC FOR ECONOMIC REASON, BE THEY TAX REASONS OR, HOPEFULLY, REVENUE REASONS, THAT PLACE IS BEING MADE AVAILABLE TO THE PUBLIC EVEN AS YOUR STAYING IN IT, YOUR HONOR, BECAUSE AS YOU [10] WALK OUT THE DOOR, THEY HAVE ALREADY MADE ARRANGEMENTS FOR SOMEBODY ELSE TO WALK IN.

THE COURT: SO? FORGET THE CONDOMINIUM.

SUPPOSE I OWN A 300-UNIT APARTMENT BUILDING. SOME OF MY TENANTS ARE THERE ON A YEARLY BASIS, SOME ARE ON A MONTH-TO-MONTH BASIS, SOME ON ARE ON A WEEK-TO-WEEK BASIS. AND I ADVERTISE IN THE PAPER, "COME STAY IN MY APARTMENT HOUSE. I FURNISH A TELEVISION SETS THAT HAS A VCR."

IS THAT PUBLIC ALSO?

MR. KROFT: YOUR HONOR, THOSE PEOPLE ARE USING THOSE APARTMENTS AS THEIR HOMES.

THE COURT: SURE.

MR. KROFT: THEY ARE PRINCIPAL RESIDENTS.

THE COURT: NO, NOT PRINCIPAL RESIDENTS. SOME COME TO STAY FOR VACATION FOR A WEEK JUST TO GET AWAY.

MR. KROFT: I HAVE NEVER HEARD OF A PLACE LIKE THAT.

THE COURT: AN APARTMENT HOUSE? LOOK, I USED TO GO DOWN TO BALBOA FOR THE SUMMER, RENTED SOMEBODY'S APARTMENTS FOR TWO WEEKS. I DON'T CARE IF IT IS ONE UNIT OR 300 UNITS.

MR. KROFT: YOUR HONOR, AGAIN, I APPRECIATE WHAT THE COURT IS TRYING TO WRESTLE WITH. YOU ARE SUGGESTING THAT LINES SOME DAY ARE GOING TO HAVE TO BE DRAWN IF THE [11] COURT ACCEPTS OUR POSITION THAT THE VIEWINGS AT LA MANCHA

ARE TAKING PLACE IN A PLACE OPEN TO THE PUBLIC. SOMEDAY SOMEBODY MIGHT COME INTO THIS COURT WITH A 300-UNIT APARTMENT THAT YOU ARE TALKING ABOUT AND YOU ARE WORRIED ABOUT THAT, AND I UNDERSTAND THAT.

AND SOME POINT THEN THE COURT IS GOING TO HAVE TO DRAW A LINE BETWEEN WHAT IS PLACE OPEN TO THE PUBLIC AND WHAT IS A PLACE NOT OPEN TO THE PUBLIC, EVEN THOUGH THEY MIGHT SMELL A LITTLE BIT THE SAME IN CERTAIN RESPECTS. BUT WHAT WE ARE SAYING HERE, YOUR HONOR, IS THAT WE ARE SO FAR ON THE SIDE OF A PLACE OPEN TO THE PUBLIC AS LA MANCHA AS OPPOSED TO A 300-UNIT APARTMENT. YOU DON'T HAVE TO WORRY ABOUT DRAWING THAT LINE FOR US.

THE COURT: I DON'T KNOW SEE HOW IT IS PUBLIC. WHAT DO YOU SAY, "A PLACE—

MR. KROFT: "A PLACE OPEN TO THE PUBLIC."

THE COURT: "A PLACE OPEN TO THE PUBLIC."

MY CONDOMINIUM ROOM IN HAWAII WAS NOT OPEN TO THE PUBLIC WHILE I WAS THERE.

MR. KROFT: WHILE YOU WERE THERE—

THE COURT: AND WHEN I GO BACK IN JANUARY, IT IS GOING TO BE OPEN TO THE PUBLIC WHILE I AM THERE. IT IS JUST AS PRIVATE AS MY CONDOMINIUM IS IN PASADENA, ISN'T IT?

MR. KROFT: YOUR HONOR, A TELEPHONE BOOTH—AND [12] I DON'T MEAN TO BE FACEOUS—BUT THEY ARE LOTS OF PLACES THAT DO NOT ALLOW ENTRY BY SOMEBODY ELSE WHEN THEY ARE BEING OCCUPIED BY THE LICENSED OCCUPANTS, BUT THAT DOESN'T MAKE THEM PRIVATE PLACES WITHIN THE CONTEMPLATION OF THE COPYRIGHT ACT.

THE COURT: I AM NOT LIVING IN A TELEPHONE BOOTH, I AM LIVING IN THAT A HOTEL ROOM.

MR. KROFT: NO. AS I SAY, THERE ARE LOTS OF PLACES, AND I HAVEN'T TRIED TO THINK OF ALL OF THEM, BUT THEY ARE RESTAURANTS IN TOWN WHERE YOU CAN HAVE A PRIVATE BOOTH FOR YOUR DINNER. NOBODY ELSE COULD COME INTO THAT PRIVATE BOOTH.

IF YOU HAD A VCR IN THAT AND YOU WERE WATCHING A MOVIE IN THERE, I DON'T THINK ANYBODY WOULD SAY THAT THAT IS NOT A PLACE THAT IS OPEN TO THE PUBLIC, BUT NOBODY ELSE CAN GO IN THERE.

THE COURT: I AM MINDFUL OF THIS CASES OF WHERE THEY HAVE A STORE WITH A PRIVATE BOOTH JUST FOR PURPOSES OF LOOKING AT THE TAPE. IT IS ALMOST LIKE GOING TO THE THEATER. EXCEPT YOU HAVE A PRIVATE CUBICAL. THAT IS A LITTLE TOUGHER.

BUT I GO BACK TO THE ADAGE, "A MAN'S HOUSE IS HIS CASTLE." AND IF I AM LIVING IN A HOTEL, BE IT FOR A YEAR—AS SOME PEOPLE DO—OR NIGHT, IT SEEMS TO ME THAT IT IS NOT PUBLIC. IT IS MY CASTLE FOR THE NIGHT.

[13] MR. KROFT: YOUR HONOR, I BELIEVE IT IS YOUR CASTLE FOR A NIGHT. I DO NOT THINK, THOUGH, FOR PURPOSES OF THE COPYRIGHT ACT, THAT MAKES THAT PLACE NOT OPEN TO THE PUBLIC FOR PURPOSES OF IMPOSING LIABILITY ON THE COMPANY THAT IS EXPLOITING THE COPYRIGHTED MOTION PICTURES OWNED BY THE PLAINTIFFS FOR A PROFIT FOR COMMERCIAL PURPOSES. THAT IS ALL IT IS DOING, YOUR HONOR.

THE COURT: WHAT THEY ARE DOING, THEY ARE RENTING A HOTEL ROOM AND, AS PART OF THAT INDUCEMENT, WHY, THEY MAKE AVAILABLE THE FACILITIES TO PLAY A TAPE.

MR. KROFT: FOR AN EXTRA FEE.

THE COURT: SURE.

MR. KROFT: FOR AN EXTRA FEE.

THE COURT: AS FAR AS THE FEE IS CONCERNED, IF I RENT IT FROM THE STORE ACROSS THE STREET, THEY ARE GETTING A FEE BUT THAT DOESN'T MAKE IT A PUBLIC USE.

MR. KROFT: YOUR HONOR, THERE IS ANOTHER ASPECT OF THE DEFINITION OF TO PERFORM PUBLICALLY IN SECTION 101,, WHICH WE HAVE QUOTED IN OUR BRIEF, AND THAT IS THE ONE THAT PROVIDES THAT A TRANSMISSION TO MEMBERS OF THE PUBLIC, WHETHER THEY ARE GATHERED IN THE SAME PLACE OR SEPARATE PLACES, OR SEEING THE MOVIE AT THE SAME TIME OR SEPARATE TIMES IS CONSIDERED A PUBLIC PERFORMANCE. I KNOW THAT IS SOMEWHAT DIFFERENT THAN THIS SITUATION, BUT IN SOME WAYS IT IS VIEWED THE SAME BY THE LEGISLATIVE [14] HISTORY. THE HOUSE REPORT, WHICH WE HAVE POINTED OUT, I BELIEVE, IN OUR PAPERS, MAKES IT VERY CLEAR. A HOTEL WERE TO BY CLOSED CIRCUIT TRANSMITTED A MOTION PICTURE BY WIRE TO THE TELEVISION SETS IN EACH OF THOSE ROOMS—WHICH ARE THE CASTLES OF THE PUBLIC OCCUPYING THEM—THAT WOULD BE A PUBLIC PERFORMANCE, EVEN THOUGH THOSE PEOPLE ARE VIEWING THE PICTURE IN THE PRIVACY OF THEIR OWN HOTEL ROOM.

THE COURT: A BROADCAST BY CLOSE CIRCUIT TELEVISION?

MR. KROFT: YES. I WOULDN'T CALL IT A TRANSMISSION.

THE COURT: WE'LL—

MR. KROFT: YOUR HONOR, WHAT IS HAPPENING HERE AND IF YOU ARE VIEWING PROFESSOR NIMMER'S TREATISE, HE SUGGESTS IF YOU LOOK AT THE INTENT OF THE FRAMERS OF THE STATUTE, HE DOES THIS—I DON'T REMEMBER THE SECTION IN THE TREATISE. HE SAYS: THAT IF SOMEBODY IS WITHOUT AUTHORITY MAKING AVAILABLE—I WOULD SAY YOU WOULD HAVE TO HAVE THE CAVEAT—IN A PLACE REGULARLY ATTENDED BY THE PUBLIC BY THE HO-

TEL, THE SAME COPY OF THE MOTION PICTURE OVER AND OVER AND OVER AND OVER AND OVER AGAIN, NOT FOR HOME VIEWING, THAT THAT REPEATED USE ACCOMPLISHES THE SAME THING THAT THE TRANSMISSION TO SEVERAL PEOPLE IN [15] INDIVIDUAL HOTEL ROOMS ACCOMPLISHES.

THE COURT: SUPPOSE NIXON SAID THAT HE LOOKED AT PATTON FIVE OR SIX TIMES, OR MAYBE TWELVE TIMES, I FORGET. SUPPOSE IN MY HOME IN PASADENA I SEE PICTURE X. I RENT IT FROM SOMEBODY ACROSS THE STREET FOR A NIGHT. MY WIFE AND I LOOK AT IT AND I SAY, "OH, THIS IS GREAT. I WANT TO SEE IT AGAIN." AND I RENT IT AGAIN. AND I RENT IT AGAIN OVER AND OVER AND OVER AGAIN ONCE A WEEK. THAT IS NOT PUBLIC VIEWING.

MR. KROFT: I DON'T THINK SO, YOUR HONOR, IN YOUR HOME, NO.

THE COURT: AND THE PURPOSE OF THIS STORE ACROSS THE STREET IS TO RENT THAT TAPE TO AS MANY MEMBERS OF THE PUBLIC AS HE CAN FIND OR AS HE CAN ATTRACK.

MR. KROFT: SURE. FOR PRIVATE PERFORMANCE?

THE COURT: SURE. BUT THE PROBLEM IS MY PERFORMANCE IN MY HOTEL ROOM IS A PRIVATE PERFORMANCE. AND WHAT DIFFERENCE DOES IT MAKE WHO OWNS THE REAL PROPERTY?

MR. KROFT: IT IS NOT JUST A QUESTION OF WHO OWNS THE REAL PROPERTY, YOUR HONOR. THE RENTAL STORE DOESN'T FURNISH YOU THE—LET ME BACK UP.

THE RENTAL STORE DOES NOT ALLOW PEOPLE INTO YOUR HOME TO VIEW THAT TAPE WITH YOU.

THE COURT: OF COURSE, NOT.

[16] MR. KROFT: THE RENTAL STORE DOES NOT PLACE THE VCR IN YOUR HOME—CERTAINLY YOU CAN RENT ONE IF YOU WANT TO, BUT THEY DON'T PUT IT

THERE FOR THE PURPOSE OF ALLOWING YOU OR ANYBODY ELSE THAT WANTS TO VIEW THAT FILM—

THE COURT: IN MY EXAMPLE SO FAR I BROUGHT MY OWN VCR.

MR. KROFT: THAT IS WHAT I AM TRYING TO SAY, YOUR HONOR. THE RENTAL STORE DOESN'T DO ANYTHING NEARLY ANYTHING THE SAME AS WHAT THE DEFENDANTS OF LA MANCHA ARE DOING.

THE COURT: WE HAVEN'T GOT THE DEFENDANTS OF LA MANCHA. I BRING MY OWN VCR.

MR. KROFT: YES.

THE COURT: WOULD COLUMBIA PICTURES HAVE A RIGHT TO SUE THE HOTEL?

MR. KROFT: THE HOTEL?

THE COURT: OR WHOM WOULD THEY BE ABLE TO SUE?

MR. KROFT: I DON'T BELIEVE THE HOTEL WOULD BE AUTHORIZING THAT PERFORMANCE, YOUR HONOR; THEREFORE, THE ANSWER IS NO.

THE COURT: OKAY. NOW, THE HOTEL SAYS—

MR. KROFT: BUT THAT DOESN'T—

THE COURT: I SUPPOSE IT USED TO BE—ANYWAY. THE HOTEL SAYS, "LOOK, YOU DON'T HAVE TO BRING [17] YOUR OWN VCR. WE HAVE A VCR FOR YOUR BENEFIT."

IT SO HAPPENS AND I BRING MY OWN TAPES AND PLAY THEM IN THE VCR. THE TAPE THAT I RENTED—I WILL TELL YOU WHAT.

I RENTED A TAPE FROM THE STORE ACROSS THE STREET TO LOOK AT IT IN PASADENA BUT I DIDN'T GET IT DONE, SO I TOOK IT TO HAWAII WITH ME AND PUT IT IN THE VCR THAT THE HOTEL FURNISHES. IT THAT A VIOLATION JUST BECAUSE I LOOKED AT IT IN HAWAII IN A HOTEL?

MR. KROFT: YOUR HONOR, IT IS A VIOLATION, I BELIEVE, BUT ONE THAT WOULD NEVER, EVER BE DETECTED.

THE COURT: I AM NOT CONCERN ABOUT THAT. IT IS DETECTED BECAUSE I AM TELLING YOU ABOUT IT.

MR. KROFT: MAY I TRY A HYPOTHETICAL ON YOU?

THE COURT: SURE.

MR. KROFT: YOUR HONOR, BECAUSE I THINK IT WILL TEND TO SHOW THAT PERHAPS DIFFERENT DIRECTIONS DEPENDING ON THE HYPOTHETICAL YOU USE. I DON'T BELIEVE THERE IS ANY DISPUTE. I WANT TO LEAD YOU ON A SET OF HYPOTHETICALS.

THE COURT: I AM NOT THROUGH WITH YOU YET.

(LAUGHTER.)

MR. KROFT: I UNDERSTAND YOU ARE NOT THROUGH WITH ME, BUT I WANTED MY CRACK IF IT IS ALL RIGHT WITH THE COURT.

IF LA MANCHA MAINTAINED A BIG MEETING ROOM IN [18] ITS CENTRAL ADMINISTRATION BUILDING AND SHOWED PLAINTIFF'S MOTION PICTURES TO ANY MEMBER OF THE PUBLIC STAYING AT LA MANCHA THAT WANTED TO SAY AT LA MANCHA.

THE COURT: NO PROBLEM.

MR. KROFT: NO PROBLEM. THAT IS A PUBLIC PERFORMANCE.

THE COURT: SURE.

MR. KROFT: AND IF LA MANCHA, INSTEAD OF MAINTAINING THAT BIG MEETING ROOM, REPLACED IT WITH A SERIES OF SMALL INDIVIDUAL VIEWING ROOMS IN THAT CENTRAL ADMINISTRATION BUILDING AND, BY CLOSED CIRCUIT, BY WIRE, TRANSMITTED OUR FILMS TO MEMBERS OF THE PUBLIC STAYING AT THE LA MANCHA THAT WANTED TO SEE THOSE FILMS UNDER THE TEACHING OF REDD HORNE, AGAIN, THAT IS A PUBLIC PLACE.

THE COURT: I HAVE NO PROBLEM. THERE ARE CASES ON THAT ABOUT A HOTEL WHERE--

MR. KROFT: BUT AT LA MANCHA, I WANT TO USE THAT.

THE COURT: OKAY. I DON'T HAVE ANY PROBLEM WITH THAT.

MR. KROFT: LET'S CHANGE THE HYPOTHETICAL A LITTLE BIT MORE.

INSTEAD OF USING THE CLOSED CIRCUIT SYSTEM, WHAT LA MANCHA DOES IS PUT DISC PLAYERS IN THOSE INDIVIDUAL VIEWING ROOMS IN THAT CENTRAL ADMINISTRATION BUILDING AND [19] RENTS DISCS TO MY MEMBER OF THE PUBLIC STAYING AT LA MANCHA WHO WANTS TO GO INTO THAT INDIVIDUAL VIEWING ROOMS AND WATCH THOSE DISCS.

THE COURT: INDIVIDUAL VIEWING ROOMS, HOWEVER.

MR. KROFT: THAT'S RIGHT.

THE COURT: I HAVE NO PROBLEM WITH THAT. THAT IS AWFULLY CLOSE TO THE CASE THAT IS IN THE BOOKS.

MR. KROFT: BUT IT IS AN AMENITY OFFERED TO GUESTS AT THE HOTEL.

THE COURT: BUT THEY DON'T LEAVE THEIR OWN ROOMS. THEY GO TO A VIEWING ROOM OR TO A LARGE AUDITORIUM.

MR. KROFT: THAT'S RIGHT.

THE COURT: AND I CAN'T FIND ANY DIFFERENCE BETWEEN THE VIEWING ROOM AND THE AUDITORIUM BECAUSE OF THAT CASE.

MR. KROFT: LET ME PROCEED FURTHER WITH MY STRING OF HYPOTHETICALS.

THAT VIEWING ROOM COULD BE VERY SPARE, OF COURSE, THEY JUST HAVE WOODEN CHAIRS. BUT IF

LA MANCHA PUT FANCY FURNITURE, BATH ROOMS, EVEN KITCHENETTS AND, FOR THAT MATTER, BEDS IN THOSE VIEWING ROOMS, YOUR HONOR, THAT WOULDN'T MAKE THOSE VIEWINGS ANY LESS IN A PLACE OPEN TO THE PUBLIC.

THE COURT: OH, YES, IT DOES.

[20] MR. KROFT: YOUR HONOR, I AM NOT CALLING THEM VILLAS AT THIS POINT. I WANT THE COURT TO UNDERSTAND THAT THIS HYPOTHETICAL IS STILL A SMALL FOUR BY SIX FOOT VIEWING ROOM, SOMETHING LIKE THAT AT LA MANCHA. ALL THEY HAVE DONE NOW IS MAKE THOSE ROOMS MORE COMFORTABLE. THEY HAVEN'T RENTED THEM FOR OVERNIGHT STAYS. I STILL WOULD ASSUME, THAT WITH THAT CAVEAT, THE COURT WOULDN'T HAVE ANY PROBLEM WITH THAT HYPOTHETICAL.

THE COURT: OH, YES, I HAVE A LOT OF TROUBLE WITH IT. IT COMES WITH A HOTEL ROOM FOR A PERSON TO STAY OVERNIGHT.

MR. KROFT: NO, THAT IS THE POINT I JUST TRIED TO MAKE TO YOUR HONOR. WE ARE STYLE HYPOTHESIZING THAT PEOPLE ARE NOT STAYING OVERNIGHT IN THESE FOUR BY SIX FOOT ROOM.

THE COURT: I SEE.

MR. KROFT: IT IS STILL ONLY BEING MADE AVAILABLE FOR VIEWING OF THAT PICTURE.

THE COURT: BUT THE PURPOSE, THE PURPOSE, IS TO HAVE A PERSON SEE THE PICTURE JUST LIKE I GO TO THE MOVIES.

MR. KROFT: YOUR HONOR, I DON'T THINK THAT IS QUITE RIGHT, AND HERE IS WHY I DON'T THINK IT IS QUITE RIGHT.

THE PURPOSE OF HAVING A PERSON COME TO LA MANCHA [21] IS TO STAY AT LA MANCHA, AND THE PURPOSE OF THAT VIEWING ROOM IS TO FURNISH TO THE GUESTS OF LA MANCHA, WHO HAS HIS PRIVATE

ROOM, VILLA, THE OPPORTUNITY TO SEE MOTION PICTURES. AND IT IS ACCOMPLISHED IN THIS HYPOTHETICAL BY PLACING A DISC PLAYER IN THIS VIEWING ROOM.

NOW THE VIEWING ROOM HAS BECOME VERY COMFORTABLE, BUT IT IS NOT OVERNIGHT HOTEL ROOM; IT IS JUST A VIEWING ROOM. BUT HE IS THERE NOT FOR THE PURPOSE OF SEEING FILMS, BUT HE IS THERE FOR THE PURPOSE OF PATRONIZING THIS COMMERCIAL ESTABLISHMENT. HE BEING A GUEST.

YOUR HONOR, I JUST DON'T BELIEVE—I BELIEVE THIS IS CORRECT TO THE BOTTOM OF MY BONES—THAT IF IT MAKES ANY DIFFERENCE WHETHER THE DISC PLAYER IS KEPT IN THAT VIEWING ROOM OR INSTEAD FOR CONVENIENCE STAKE OF PEOPLE RUNNING LA MANCHA, THEY INSTEAD DECIDE TO TAKE THAT DISC PLAYER AND MOVE IT FROM THAT COMFORTABLE VIEWING ROOM THAT IS NOT USED FOR OVERNIGHT SLEEPING INTO THE VILLA.

AND THE REASON FOR THAT, YOUR HONOR IS THIS: THEY ARE ACCOMPLISHING EXACTLY THE VERY SAME END RESULTS, WHETHER THE DISC PLAYER IS IN THE HOTEL ROOM OR IN THAT PRIVATE VIEWING ROOM. THEY ARE RENTING WITHOUT AUTHORITY COPIES OF OUR MOTION PICTURES FOR VIEWING BY ANY MEMBER OF THE PUBLIC WHO WISHES TO STAY AT LA MANCHA AND WATCH OUR MOTION PICTURES WHILE THEY ARE THERE. AND THE ECONOMICS [22] OF THIS THING, YOUR HONOR, CANNOT BE IGNORED. THEY ARE EXACTLY THE SAME.

THE COURT: IF THERE WERE A WARRANT OUT FOR MY ARREST. AND THE SHERIFF FOUND ME IN THE LOBBY OF THE LA MANCHA HOTEL, HE COULD SERVE THAT WARRANT OF ARREST COULDN'T HE?

MR. KROFT: I BELIEVE SO.

THE COURT: AND IF I THERE WERE IN A THEATER ADJACENT TO THE LOBBY, I COULD BE POINTED OUT

BY THE USHER AND HE COULD ARREST ME THERE TOO.

MR. KROFT: YES, YOUR HONOR.

THE COURT: AND IF YOU PUT A WALL AROUND THE BIG PRIVATE CUBICALS IN THAT THEATER, HE COULD ARREST ME THERE TOO, COULDN'T HE?

MR. KROFT: YOUR HONOR, I HAVE TO STOP YOU FROM WHERE YOU ARE GOING BECAUSE I AM NOT CRIMINAL LAWYER AND I CAN NOT ANSWER YOUR QUESTION THAT YOU ARE LEADING TO.

THE COURT: AND HE COULD NOT ARREST ME IN MY HOTEL ROOM WITHOUT A SEARCH WARRANT; HE COULDN'T COME IN. HE COULDN'T BUST IN. THAT IS MY CASTLE FOR THE NIGHT.

MR. KROFT: DOESN'T IT, YOUR HONOR, DEPEND ON WHAT YOU ARE DOING IN THAT ROOM?

THE COURT: OH, NO, IT DOESN'T. IF I AM RAPING SOMEBODY AND THERE ARE LOUD SCREAMS, WHY, OF COURSE, THERE MIGHT BE A QUESTION, BUT NO.

[23] I JUST DON'T SEE IT, MR. KROFT. IT SEEMS TO ME THAT MY HOTEL ROOM THAT I HAVE RENTED FOR A NIGHT, OR FOR A WEEK, OR FOR A YEAR. AS I SAY, LOTS OF PEOPLE WILL RENT A HOTEL ROOM FOR A YEAR OR MORE AND LIVE THERE. THIS IS MY CASTLE AND WHAT GOES ON IN THERE IS NOT PUBLIC.

MR. KROFT: YOUR HONOR, THERE IS ANOTHER WAY OF GETTING ABOUT THIS. AND I FEEL SO STRONGLY ABOUT THE CORRECTNESS OF MY CLIENT'S POSITION, I WOULD LIKE THE COURT TO INDULGE ME, IF YOU WILL.

THE STATUTE DOESN'T NECESSARILY—AND I DON'T AGREE WITH YOUR HONOR AND I WANT IT TO BE TAKEN AS IS GIVEN WITH THIS POSSIBILITY. LET ME START OUT BY SAYING THAT WE MUST REMEMBER THAT WHAT WE HAVE IS A COMMERCIAL VENTURE FOR PROFIT.

THE COURT: SURE. EVERY HOTEL IS.

MR. KROFT: OF COURSE. BUT THEY ARE NOT JUST A HOTEL, THEY ARE ALSO RENTING OUR FILMS AT THAT HOTEL.

THE COURT: BUT SO IS MY 300-UNIT APARTMENT.

MR. KROFT: BUT THEY ARE ALSO NOT RENTING TAPES AND DISCS FOR VIEWING.

THE COURT: OH, I MIGHT BE.

MR. KROFT: LET ME START OUT WITH THAT AT THE BEGINNING:

THE STATUTE SAYS A PLACE OPEN TO THE PUBLIC. I THINK WHAT WE HAVE ACKNOWLEDGED BETWEEN THE TWO OF US HERE [24] IS THAT WHETHER THE PLACE IS OPEN TO THE PUBLIC DEPENDS ON THE INTENT AND THE CONDUCT OF THE PERSON WHO HAS CONTROL OVER THAT PLACE.

THE COURT: SURE.

MR. KROFT: I DO NOT THINK IT IS INCONSISTENT WITH THE STATUTE, YOUR HONOR. IF THE COURT DOESN'T AGREE WITH ME—AND I BELIEVE THE COURT WOULD BE INCORRECT—BUT IF THE COURT DID NOT AGREE WITH ME THAT THAT WAS NOT A PLACE OPEN TO THE PUBLIC, SO FAR AS THE GUESTS WERE CONCERNED, IT NONETHELESS HOLDS THAT IT IS A PLACE OPEN TO THE PUBLIC SO FAR AS THE HOTEL, PEOPLE OPERATING THE HOTEL IS CONCERNED FOR THIS REASON: EVEN THROUGH IT MAY BE SO THAT THE GUEST IN THAT ROOM, IN HIS DETERMINATION, IS NOT MAKING IT AVAILABLE FOR ANYBODY ELSE TO COME INTO THERE, THE INTENT OF THE HOTEL IS TO MAKE IT AVAILABLE TO ANY NUMBER OF PEOPLE WHO GET IN THERE AS FAST AS THEY CAN GET THEM THERE, AS SOON AS THAT GUEST LEAVES. THEY ARE ADVERTISING IT TO THE PUBLIC. THEY ARE TAKING RESERVATIONS BY MEMBERS OF THE PUBLIC TO STAY IN THAT ROOM, THEY ARE MAINTAINING IT, AND SERVICING IT,

NOT ONLY FOR THE BENEFIT OF THE PERSON THAT IS OCCUPYING THE ROOM, BUT ALSO FOR EVERY OTHER MEMBER OF THE PUBLIC THAT MIGHT COME INTO IT.

THE COURT: AND I OWN A HOTEL AND YOU ARE MY PRIZE GUEST BECAUSE YOU STAY THERE YEAR AFTER YEAR—AND [25] THERE ARE LOTS OF PEOPLE WHO LIVE PERMANENTLY IN HOTELS. NOBODY ELSE—I DON'T LET ANYBODY ELSE IN. SURE, IF YOU GET OUT, I AM GOING TO BRING SOMEBODY ELSE IN AS FAST AS I CAN IN EXACTLY IN THE SAME MANNER THAT AN OWNER OF AN APARTMENT HOUSE IS GOING TO GET SOMEBODY ELSE IN THE APARTMENT AS SOON AS YOU VACATE IT AS FAST AS YOU CAN, BUT THE APARTMENT IS NOT OPEN TO THE PUBLIC ANYMORE THAN THE HOTEL ROOM.

MR. KROFT: THAT PART I DISAGREE WITH YOU.

THE COURT: I THINK I UNDERSTAND YOUR POINT, MR. KROFT. I DON'T AGREE WITH IT.

IS THE COURT'S ANALYSIS FAULTY? ARE YOU SATISFIED WITH THE DECISION OF THE COURT THAT I AM ABOUT TO MAKE ON THE BASIS THAT I INDICATED?

MR. KING: YES, WE ARE, YOUR HONOR.

THE COURT: ALL RIGHT.

THE SUMMARY JUDGMENT WILL BE GRANTED TO THE DEFENDANT FOR THE REASONS THAT I STATED: NAMELY, THAT A VIEWING IN A HOTEL ROOM IS NOT OPEN TO THE PUBLIC AND, THEREFORE, TAPES SHOWN IN A HOTEL ROOM ARE NOT VIEWED BY THE PUBLIC.

WOULD YOU PREPARED APPROPRIATE FINDINGS AND CONCLUSIONS AND I WILL SIGN IT.

MR. KING: WE WILL, YOUR HONOR.

MR. KROFT: MAY WE BE SERVED WITH THOSE, YOUR [26] HONOR.

THE COURT: OF COURSE. AND YOU MAY HAVE FIVE DAYS TO OBJECT.

MR. KROFT: MAY I REQUEST TEN DAYS.

THE COURT: SURE.

(PROCEEDINGS CONCLUDED.)

(I, DELIA C. ROTUNNO, CERTIFY THAT THE FORE-
GOING IS A CORRECT TRANSCRIPT FROM THE RECORD
OF PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.)

OFFICIAL REPORTER #2171

DATE: _____